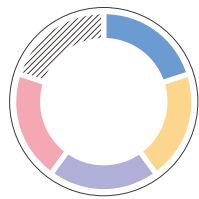


CAC REPORT



2022

Fiscal Year Ended
December 31, 2021

CAC Holdings Corporation

Group Corporate Philosophy

Creating new value on a global level with the use of the latest ICT

Who we are	Our Mission	01
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**Our mission is to continually create new value through advanced ICT.
Against a backdrop of globalization, and with an increasingly diverse range of values,
we understand the needs of the market and are determined to create new services
that will change the world.
That is our goal here at the CAC Group.**



CAC Vision 2030

Evolving into a corporate group that consistently makes a positive impact on society, with technologies and ideas

We will take on challenges with pride and responsibility for our work.

By combining leading-edge technologies with innovative ideas,
without being bound by precedent or preconceptions,
we continue to tackle social issues.

By making a positive impact continually,
we can definitely enrich society.

We will make changes,
together with people who share the same values.



CAC Vision 2030 » [P.10](#)

*Let's make an **i**mpact.*

We continue growing by tackling various challenges.

The history of the CAC Group's growth is also a history of challenges. Never fearing failure, we have tackled challenges in new areas. And we will continue to take on new challenges, aiming to increase corporate value.

■ Net sales — Operating income — ROE

Computer Applications Co., Ltd. is established as an independent software company.

1966

1966

1970

1975

1980

1985

1990

1995

2000

2005

2010

2015

2020

2025

Three companies merge to form CAC Co., Ltd.

1994

CAC sells its noncore businesses.

CAC makes multiple IT firms its subsidiaries.

2000

2003

2005

CAC makes multiple CRO companies its subsidiaries.

2006

2010

CAC makes overseas IT firms its subsidiaries.

2014

CAC sells the CRO subsidiary.

2021

Medium-term Management Plan
Fiscal year ending December 31, 2025

Target net sales

¥58 billion

Target operating income

¥5 billion

Target ROE

10% or more

Early start of growth through mergers and acquisitions (M&A)

1994 Merger of three companies

Computer Applications Co., Ltd. merges with two Group companies to form CAC Co., Ltd.

2000 IT system

Acquisition of IT affiliates as systems divisions of companies such as Maruha Nichiro Corporation and Toyo Tire Corporation and converting them into subsidiaries of the CAC Group

2006 BPO/BTO

Investments, business acquisitions, and business integration in CRO as a growth field

2014 Overseas

Investment in overseas IT companies

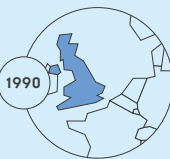
2021 IT Specialization

Sale of CRO business company and concentration of management resources on IT business

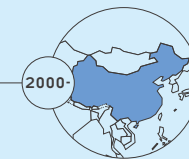
Expanded overseas before other Japanese companies



Entered the United States
Established local subsidiary



Entered Europe
Established local subsidiary



Entered China
Established local subsidiary and acquired an IT company (offshore location)



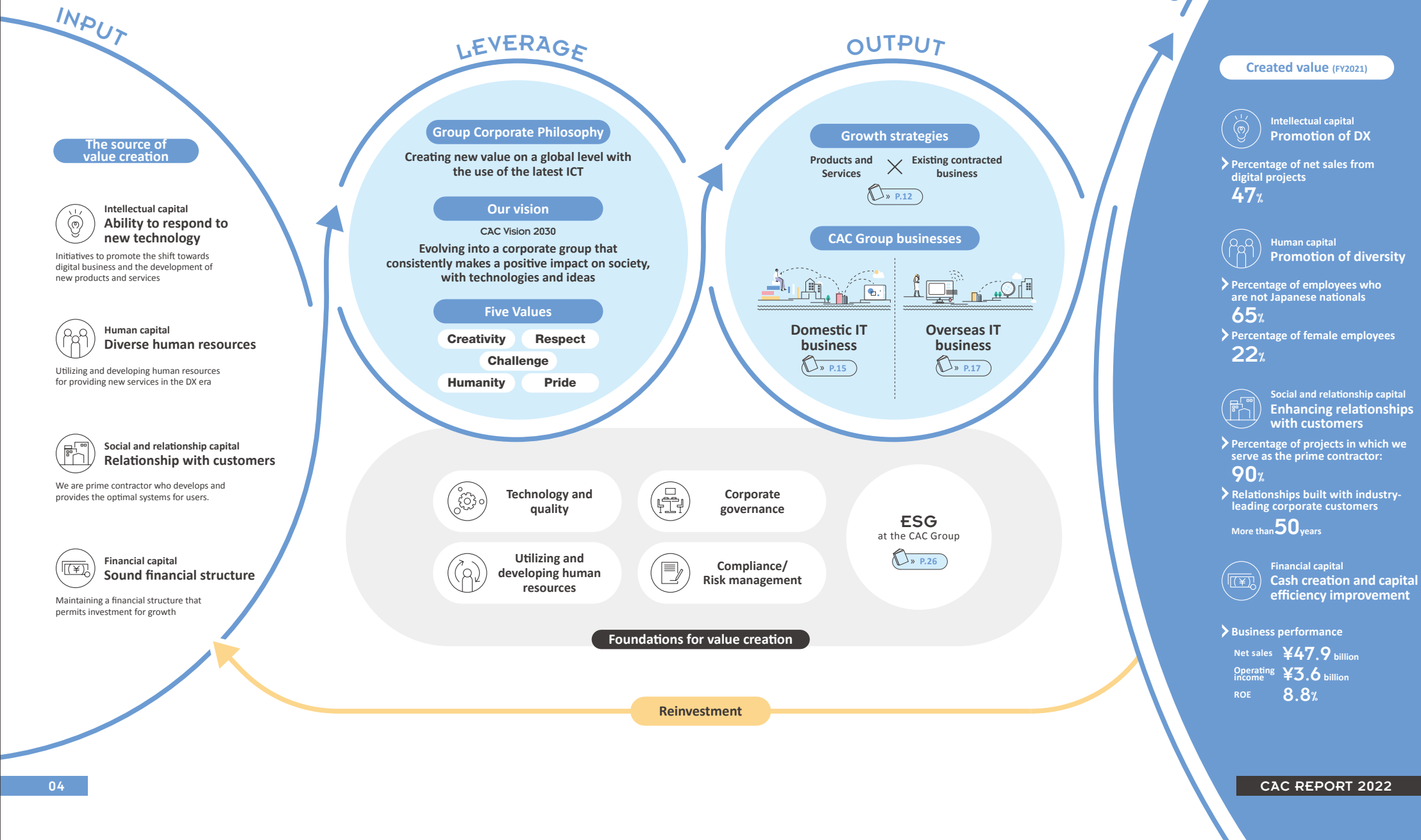
Entered India
Established local subsidiary and acquired an IT company



Entered Indonesia
Acquired an IT company

Value creation process

The CAC Group identifies social needs and challenges and works to contribute solutions to them through its business activities while aiming for its own sustainable growth.





Evolving into a corporate group that consistently makes a positive impact on society, with technologies and ideas —
We will continue to strive to achieve this vision.

Please look forward to the future of the CAC Group, which is proactively engaging in new initiatives.

I am Ryota Nishimori, President and CEO. During the year since I became president & CEO, we deeply discussed each matter, such as measures to strengthen corporate governance to prepare for the Tokyo Stock Exchange's restructuring of its markets. At the same time, we spent a great deal of time in discussion to clarify the CAC Group's 2030 vision and formulate growth strategies showing the path toward the achievement of the vision.

I feel that the past year was a valuable year for

me because I was able to broaden my perspective as a business leader by listening to many opinions and increase my knowledge. In addition, I was also able to clarify the things that should be done by myself and also the Company's employees over the coming long period.

CAC Holdings has established the long-term vision toward 2030, "Evolving into a corporate group that consistently makes a positive impact on society, with technologies and ideas." Guided by this vision, we will proactively engage in new initiatives and start our evolution into a company which is able to create value on its own.

**Ryota
Nishimori**

President & CEO

In FY2021, we selected and consolidated businesses and set a new record profit.

In FY2021, which was the final fiscal year of the previous Medium-Term Management Plan (FY2018 to FY2021), we achieved steady performance in domestic IT business by tapping into brisk IT investment demand from corporate customers, although we could not engage in sales activities as intended due to COVID-19 and we faced other constraints as well. I feel certain that we were able to build a foundation that can enable us to have a sufficient competitive advantage thanks to the effects of measures including sales strategies and the enhancement of DX-related solutions which we have been advancing since FY2018. We have enhanced our ability to propose solutions to bring in new customers, which has enabled us to win many medium and large-sized projects and exceed the break-even point. This has also led to a higher profit margin.

The overseas IT business saw varying performance in different countries and regions. For example, our Indian subsidiary recovered slowly while the Indonesian subsidiary enjoyed strong results. However, our Indian subsidiary, which continued to suffer due to lockdowns, was able to minimize the profit reduction through structural reforms, including the expansion of its business into the fields of software and services. This fiscal year, we will begin to drive reforms further to improve our earnings structure.

Regarding the CRO business, we transferred all shares of CAC Croit Corporation, a consolidated subsidiary that was in charge of this business, to EPS Corporation on June 30, 2021. The CRO business had grown into one of the Group's main

businesses. However, the business environment is expected to be even tougher in the future, mainly due to the increasingly fierce competition within the industry attributed in part to a series of foreign-affiliated companies consecutively entering the market, as well as diversification of customer needs associated with the increase of joint international clinical trials. Therefore, we understood that measures such as a drastic capital injection were necessary for the CRO business to be continued by the Group. After much discussion, we made this decision to focus our management resources on the promotion of DX in the IT business, which is the Group's core business.

Regarding the previous Medium-Term Management Plan, we were unable to achieve the targeted net sales but we improved profit significantly and achieved the target ROE.

In the previous Medium-Term Management Plan, we targeted net sales of 70,000 million yen in FY2018, but net sales for FY2021 were 47,900 million yen, which was approx. 20,000 million yen below our target. Operating income did not reach the initial target of 4,000 million yen, either, but improved significantly in the last four years, to 3,697 million yen in FY2021. ROE was 8.8%, which means that we achieved the initial target of 8%.

There was a mixture of achievements and issues in those four years. While the Company was negatively impacted by events such as lockdowns and the voluntary restraints imposed on business activities during the COVID-19 pandemic, there were also positive factors including the brisk demand for IT investments from corporate customers. Starting from the current fiscal year,

Background to Formulation of CAC Vision 2030

Corporate philosophy=Our mission and raison d'être

Creating new value on a global level with the use of the latest ICT

Formulate and share a long-term vision aimed at sustainable growth, unaffected by short-term volatility, precisely because the environment surrounding the Group is changing dramatically

Align the vectors of the Group's operations by formulating and sharing the kind of Group we want to be 10 years from now and the direction we must head.

CAC Vision 2030

Evolving into a corporate group that consistently makes a positive impact on society, with technologies and ideas

we will focus our business on the promotion of DX and strive to achieve the new Medium-Term Management Plan (FY2022 to FY2025).

We have established CAC Vision 2030 by imagining what the world will be like in 2030.

At the CAC Group, we set a long-term vision in the late 1990s. However, we found ourselves repeatedly setting three-year to four-year medium-term management plans. This makes

it difficult to respond to major environmental changes associated with DX and similar events. Accordingly, we thought that we would first need to clarify what we want the Group to be like ten years from now and in which direction we should go, and then share this idea within the Group to work toward the same goal.

This is how we formulated CAC Vision 2030: Evolving into a corporate group that consistently makes a positive impact on society, with technologies and ideas. We imagine that, in 2030,

technologies will be integrated with each other, causing changes to be accelerated in various domains. Use of AI will be more widespread, for a wider variety of purposes, and all information will be connected via IoT.

I believe that CAC Vision 2030 is for achieving our Corporate Philosophy, “Creating new value on a global level with the use of the latest ICT,” and at the same time, will be a guidepost as the Group keeps running toward a world where major innovations occur.

We have also revised our code of conduct so that all employees around the world can remember it.

We have revised the previous version of Our Credo into Five Values, our code of conduct for achieving the vision. Because half of the Group’s employees are overseas employees, we will ensure the five words — Creativity, Humanity, Challenge, Respect, and Pride — are shared across the entire Group so that overseas employees can understand them. We would like to cherish them as our set of values.


Five Values



(Left) The city center of Nagasaki City in Nagasaki Prefecture, the place we selected as our first base for regional revitalization/
(Right) Unzen BASE, a base for community exchange in Unzen City

At the CAC Group, we previously focused on contract business. However, we cannot achieve sustainable growth unless we do jobs which demonstrate our value to society, instead of just engaging in contract business. The word challenge represents our message, “Be proactive without fearing failure.” Pride, which we added, communicates to employees, “Let’s take pride in ourselves and judge value ourselves.”

We have already launched new initiatives, including regional revitalization using IT.

One specific initiative is regional revitalization. At present, the majority of provincial cities face a common issue, that the outflow of people is not stopping, causing a decline in the vitality of the community. In response, the CAC Group began to engage in initiatives for solving a variety of issues in Nagasaki, which we entered in 2019 to establish our base for regional revitalization, by working together with the governments of Nagasaki Prefecture and Nagasaki City and other parties.  [P.19](#)

While Nagasaki Prefecture is open to new things, it faces so many issues such as the declining birthrate, the aging population and the difficulty of establishing an industry that it is called a leading prefecture in terms of issues. We believe that if the prefectural government of Nagasaki and the Group work together and use the power of IT, Nagasaki Prefecture can evolve into a leading prefecture in terms of solutions to issues. The lives of the people in provincial areas will be made safer and more convenient by combining various services, such as a service watching over elderly people, and a payment service provided using facial recognition, motion detection and a point program for the local community.

At present, we have allocated human resources and are proactively engaging in initiatives to learn more about issues faced by local residents to work toward a solution. We have also become involved in the education of IT human resources at a university. Moving forward, we will also consider expanding these initiatives to other prefectures and regions.

We have formulated a roadmap for achieving the vision by dividing it into two phases.

In the Medium-Term Management Plan (FY2022 to FY2025), which is Phase 1, we aim to achieve net sales of 58,000 million yen, operating income of 5,000 million yen, operating margin of 8%, and ROE of 10%.

First, in Phase 1 the first half of the process for achieving the vision, we will prioritize investment in businesses, human resources and M&A activities to achieve growth in Phase 2, the second half. At the same time, we will build a structure and business infrastructure

for continually launching new businesses and accumulating expertise through this initiative.

The main initiatives in Phase 1 are growth strategies, high-profit strategy, and review and development of corporate functions. One of the growth strategies is collaborative creation based on the concept of Human Centered Technology (HCTech). HCTech is a CAC solution concept. It is a human centered technology to observe people, utilize human resources, and promote human health by having an AI analyze and estimate all manner of data relating to people, goods and things using various technologies such as sensors and IoT. There are already some companies which understand and support this concept.

Our goal will be to commercialize new products and services through collaborative creation with these companies. Under the high-profit strategy, we will improve management efficiency through measures such as disposing of businesses with low growth potential or that are poorly aligned with our other businesses. At the same time, we will adjust fixed costs by streamlining offices and taking other measures, reducing costs by around 1,000 million yen over four years. Regarding the review and development of corporate functions, we believe it is important to instill a climate of taking on challenges without fearing failure to reform our environment and organizational climate to facilitate the creation of new businesses, while at the same time strengthening the Group's governance.

In Phase 2, where we will further develop the things that we will build in Phase 1, we have set the targets of achieving net sales of 80,000 million yen, which is about two times larger than they are currently, operating income of 12,000 million yen, and an operating margin of 15%. By leveraging the structure we will build in Phase 1, we plan to proactively expand new businesses in Japan and to overseas countries.

Effectively using the funds we have now, we will build a cycle that enables to make new money.

Phase 1 is the period of changes for achieving this vision, and we plan to proactively leverage our funds for new businesses. It is important to change the capital we receive from our shareholders into assets. With a strong awareness of this idea, we will effectively use the capital we have now and invest in businesses which will enable to create

new money. It is natural that we should return the profits we obtain as a result of this to our shareholders. We will firmly build this virtuous circle and then continue to ensure stable dividends.

The most important thing for our sustainable management is people. Moving forward, we plan to quantify our human resource development policy, the depth of our diversity, the advancement of women, and other matters and inform our shareholders and business partners of them. I believe this will enable our business partners to see the Group as even more reliable and trustworthy. We also intend to disclose a range of information promptly.

The visibility of boccia, the sport that we have supported for many years, increased rapidly thanks to the Tokyo 2020 Paralympics. I and our employees have discovered the fun of playing boccia through the operation of tournaments and other activities, and we are empowered by it. We will continue to support boccia as before.

The CAC Group has taken a new step toward what we should be like in 2030. It is an important step that will lead to the growth of the CAC Group. I respectfully ask for the continued support of our stakeholders as our Group moves into an exciting future.





CAC Vision 2030 / Medium-term Management Plan

Amid the rapid changes in the environment surrounding the CAC Group, we have set the long-term CAC Vision 2030 to explain what we want to be 10 years from now and the direction in which we should go. By sharing this vision, all of us at the CAC Group will work toward the same goal. We divided the period up to the achievement of the vision into two phases. At the same time, we formulated the Medium-Term Management Plan for the first half of the period (Phase 1). We will allocate management resources appropriately, without being affected by short-term volatility, aiming to achieve sustainable growth.

Review of the previous Medium-Term Management Plan

The results of the previous Medium-Term Management Plan were a mixture of achievements and issues.

Under the Medium-Term Management Plan implemented during FY2018 to FY2021, we prioritized constructing a high-revenue model, stepping up investment and financial strategies, and pressing ahead intensively with initiatives for digital transformation (DX) from FY2020, based on basic policies of strengthening corporate governance, mobile implementation of business by more speedy decision making, improvement of capital efficiency and strengthening of return to shareholders, and promotion of value sharing with shareholders.

As a result, in the domestic IT business, earning capacity recovered and the share of digital projects increased through the implementation of DX initiatives. The Group also sought selection and concentration, including selling a company engaged in the CRO business to concentrate

management resources on the IT business. However, as a result of changes in the economic environment caused by the COVID-19 pandemic and other factors, on the investment strategy front, investing remained conservative, whilst in the overseas IT business, improvement of the earning capacity of the subsidiary in India was only half complete. The Group also failed to create new businesses, including M&A, as anticipated. Looking at the achievement of numerical targets, although net sales fell short of the initial target of ¥70.0 billion, operating income improved significantly, coming close to the initial target of ¥4.0 billion, and ROE was 8.8%, reaching the initial target of 8%. However, we should reflect upon the repeated changes we made to numerical targets as a result of various changes in the operating environment and reconsideration.

Numerical targets

Net sales	➤ The growth of sales was not achieved, with actual net sales falling short of the initial target (70 billion yen)
Operating income	➤ Although the initial target (4 billion yen) was not reached, operation income improved significantly over the four years.
ROE	➤ The initial target (8%) was achieved.

Qualitative targets

Basic policies	Separation of management and execution	➤ Separated supervising function and business execution function
	Mobile implementation of business by more speedy decision making	➤ Appointed executive officer responsible for each business domain Sought business expansion and clarified accountability for results of each domain.
	Improvement of capital efficiency and strengthening of return to shareholders	➤ Maintained stable dividends ➤ Cancelled treasury shares (1 million shares) ➤ Purchased treasury shares (approx. 3 billion yen)
	Promotion of value sharing with shareholders	➤ Introduced stock compensation plan
Key strategies (from FY2020)	Construct a high revenue model	➤ Returned domestic IT business to profitability ➤ Improvement of revenue in India is still underway ➤ Contribution of a subsidiary in Indonesia that joined the Group in the autumn of 2019
	Step up investment and financial strategies	➤ Remained conservative
	Strongly promoting steps for digital transformation	➤ Increased share of digital projects (22% → 47%) ➤ Transferred CRO business to concentrate management resources on DX initiatives, and achieved selection and concentration.
	Create new businesses	➤ No progress was made on the creation of new businesses, including M&A activities.

Background to Formulation of CAC Vision 2030

What we should aim to be 10 years from now Formulation of CAC Vision 2030

Currently, the market for system integration, which is the CAC Group's main business, is maturing and the reality is that growth through the implementation of existing business alone will be difficult. However, developments such as the COVID-19 pandemic have caused digital transformation (DX) to rapidly accelerate and we believe that there is also the potential for a vast array of opportunities.

In a turbulent situation in which it is hard to predict three or four years in advance, we first discussed the direction the CAC Group should take and the kind of Group it aspires to be in 2030, 10 years from now, and formulated the CAC Vision 2030 "Evolving into a corporate group that consistently makes a positive impact on society, with technologies and ideas," aiming to achieve sustainable growth, unaffected by short-term volatility.

Background to Formulation of CAC Vision 2030

Corporate philosophy = Our mission and raison d'être

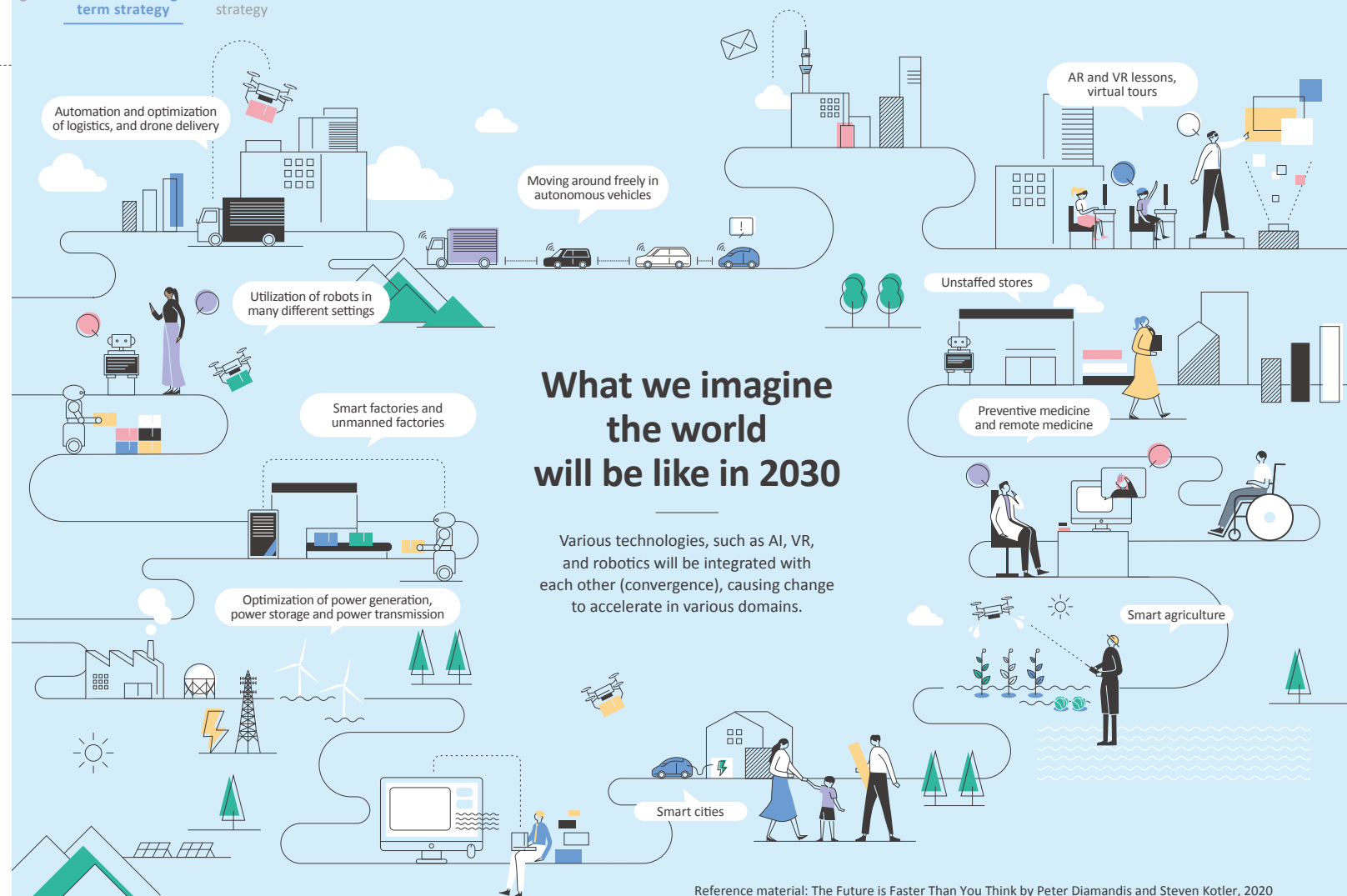
Creating new value
on a global level with
the use of the latest ICT

Formulate and share a long-term vision
aimed at sustainable growth,
unaffected by short-term volatility,
precisely because the environment surrounding
the Group is changing dramatically

Align the vectors of
the Group's operations by formulating
and sharing the kind of Group
we want to be 10 years from now
and the direction we must head.

CAC Vision 2030

Evolving into a corporate group that
consistently makes a positive impact
on society, with technologies and ideas



Reference material: The Future is Faster Than You Think by Peter Diamandis and Steven Kotler, 2020

CAC Vision 2030

Creating solutions to social issues to evolve into a high-growth corporate group

Under CAC Vision 2030, we envisage that CAC Group solutions incorporating digital technology such as AI and IoT and data will enable people to demonstrate their diverse imagination and creativity and will help solve social issues. Our aim under the vision is to become a highly profitable, high growth corporate Group through the creation and growth of numerous digital solutions which have such a positive impact.

We will divide the period for realization of CAC Vision 2030 into the first half from FY2022 to FY2025 (hereinafter, "Phase 1") and the second half from FY2026 to FY2030 (hereinafter "Phase 2"). With Phase 1 positioned as a period for generating stable revenue in our existing contracted business both in Japan and overseas and building a framework for continuously creating digital products and services in preparation for Phase 2, and with Phase 2 positioned as a period for reaping the results of the preparations and efforts in Phase 1, we will formulate and implement a Medium-Term Management Plan for each phase.

Qualitative targets

Positive impact

Providing the means through digital technology such as AI and IoT and data for people to be able to demonstrate their diverse imagination and creativity

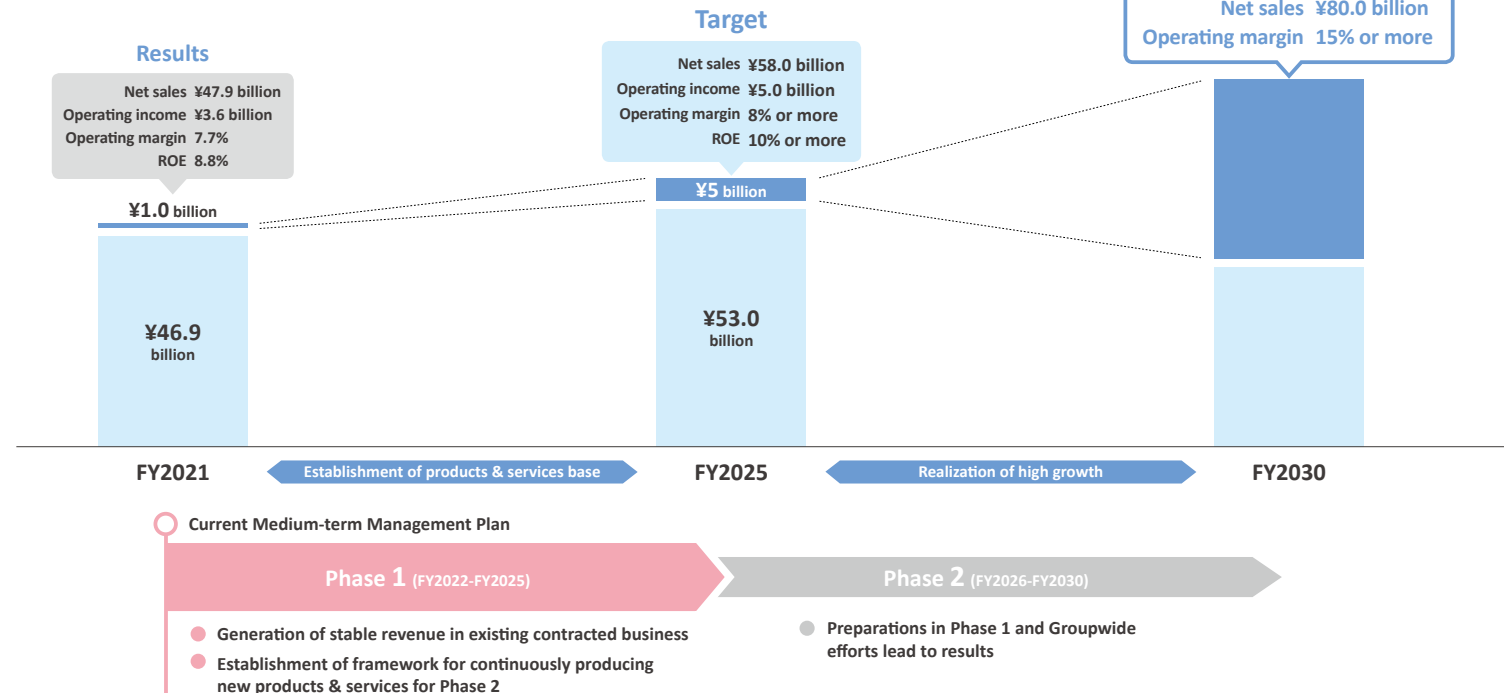
Creation of digital solutions to social issues

Aiming to become a highly profitable, high-growth corporate Group through the creation and growth of numerous digital solutions which have a positive impact

Numerical targets

■ Products and Services

■ Contracted business (to meet the specific business needs of individual customers)



Medium-Term Management Plan (Phase 1: FY2022- FY2025)

Under the Medium-Term Management Plan for Phase 1, which starts from FY2022, we will mainly focus on the following three strategies under the slogan, “Let’s get started,” to strengthen the revenue earning capacity of existing contracted business and to prepare for the creation of digital products and services.

1. Growth strategies

We will build a framework and business base for continuously establishing our own new digital products and services that will have a positive impact on society, whilst maintaining contracted business, which forms the bulk of existing business, as the cornerstone of the revenue base through growth of this business alongside expansion of internal resources. When developing solutions based on the concept of Human Centered Technology for observing people, utilizing human resources and promoting human health through the use of AI and IoT, the Group will also put effort into collaborative creation with various stakeholders. At the same time, we will also pursue M&A and alliances both in Japan and overseas to incorporate into the Group the necessary capabilities and human resources it lacks.

2. High-profit strategy

We will seek to improve operating income by improving management efficiency including reorganizing unprofitable businesses and businesses that lack growth potential or affinity with the Group’s other businesses, reviewing and reducing fixed costs, and streamlining offices through work style reform.

3. Review and develop corporate capabilities

We will review the group governance structure and operation methods and appropriately redistribute resources such as technology, funds and human resources within the Group, with the aim of strengthening governance in business and creating a framework that fosters understanding and cooperation for new business. We will also implement measures to reform the organizational culture, aiming to create an organizational culture that encourages employees to come up with and take action for the new initiatives themselves. Through these strategies, we will support the achievement of CAC Vision 2030.

By implementing the strategies described above, we aim to achieve, as numerical targets for FY2025, which is the final fiscal year of the Medium-Term Management Plan, net sales of ¥58.0 billion, operating income of ¥5.0 billion, an operating margin of at least 8%, and ROE of at least 10%.

The Group’s slogan for the Medium-Term Management Plan

Let’s make an *Impact*.

Medium-term Management Plan

Phase 1 (FY2022-FY2025)

Period for earning stable revenue in existing contracted business and for building framework for continuously producing new products & services in preparation for phase 2

Growth strategies

> Products and Services

- Building of framework/business base for continuously establishing new businesses
- Collaborative creation based on the concept Human Centered Technology
- Implementation of business investment and investment in human resources
Approx. 15 billion yen

> Existing contracted business

- Achievement of growth alongside expansion in internal resources

High-profit strategy

- > Reorganization of unprofitable business
- > Improvement of management efficiency
- > Improvement of approx. 1 billion yen

Review and develop corporate capabilities

- > Review of Group governance structure and operating method
- > Reform of organizational culture

FY2025 numerical targets

Net sales
¥58 billion

Operating income
¥5 billion

Operating margin
8% or more

ROE
10% or more

We achieve growth and stable dividends.

At the CAC Group, our financial strategy aims to deliver both investment for growth and stable shareholder returns.

The following section provides an overview of our approach to finance.

Principles of the CAC Group's capital policy

01

Creating profit stably and continuously while aggressively making the investments needed for growth

02

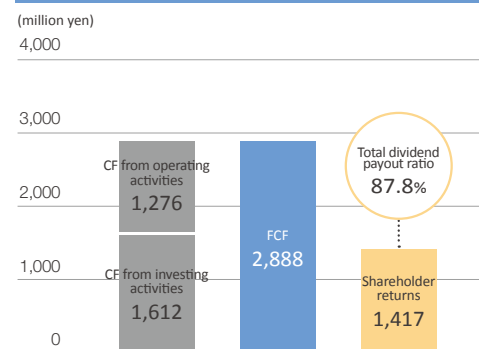
Providing comprehensive shareholder returns, including initiatives such as the acquisition of treasury stock, as well as consistently paying dividends

Cash flows and shareholder returns

Regarding our cash flows (CF) in FY2021, we posted CF from operating activities of 2,900 million yen, mainly reflecting operating revenue, and CF from investing activities of 530 million yen due in part to selling of a subsidiary engaged in CRO business. Net cash used in financing activities stood at 2,930 million yen, mainly reflecting investment in a venture capital company that is a non-consolidated subsidiary, as well as the payment of dividends. As a result, cash and cash equivalents at the end of FY2021 stood at 10,370 million yen, up 660 million yen from the end of FY2020. CF from investing activities changes significantly from year to year due to the acquisition of companies, the sales of investment securities and other activities. Looking at the average for the past five years, CF from operating activities stands at around 1,300 million yen, CF from investing activities is around 1,600 million yen, and free cash flow (the difference between CF from operating activities

and CF from investing activities, "FCF" hereafter) is around 2,900 million yen. For the FCF of around 2,900 million yen, we have provided around 1,400 million yen as the return of profits to shareholders. The average total dividend payout ratio for the past five years is 87.8%.

Average cash flows (CF) and shareholder returns in the past five years



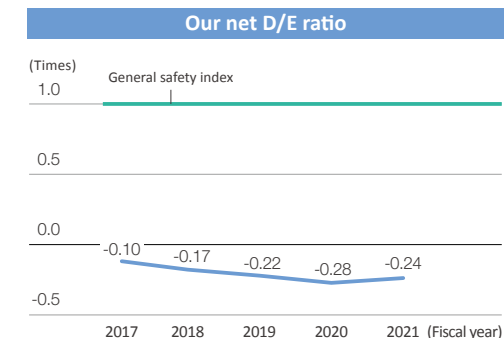
Financial structure

We have been aggressively investing and becoming involved in M&A activities. We have also maintained a sound financial foundation as a defensive element that supports these aggressive measures, preparing us to address unforeseeable events such as the global COVID-19 pandemic.

Our net D/E ratio, which indicates how much larger debt is compared to equity regarding a company's sources of funding, has been 0 or lower, which means debt has been less than 1.0 times equity as a general indicator of soundness. Further, our equity ratio,¹ which indicates the ratio of equity capital (net assets) to total assets, has been 56.5% to 66.4%, exceeding the average (42.6% to 51.7%) among software businesses in the information services industry,² to which the CAC Group belongs.

¹ Equity ratio = Net assets/Total assets

² The industry average was calculated using data for the total assets and net assets of software businesses in the information services industry shown in the statistics table in the basic survey of the information and telecommunications industry conducted by the government.

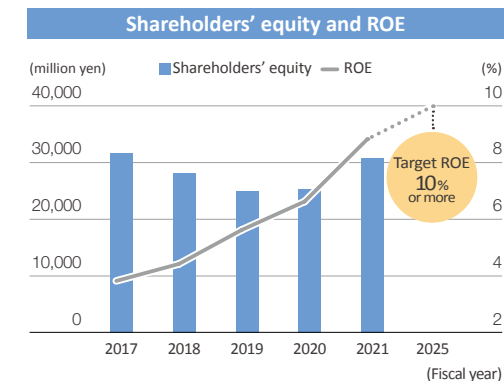


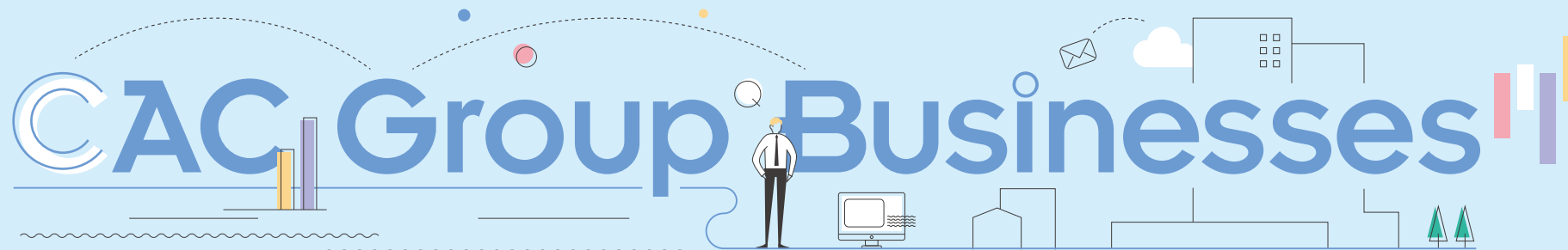
Measures to achieve greater shareholder value

In FY2019, we added "maximization of shareholder value" to the concepts of our Medium-Term Management Plan and included measures for improving capital efficiency and strengthening returns to shareholders in the basic policy. We have since been taking initiatives such as the acquisition of treasury stock and increasing dividends. In FY2021, we paid dividends per share of 60 yen, dividend on equity (DOE) was 3.3%, and ROE was 8.8%.

During the current Medium-Term Management Plan, we will continue to distribute profits appropriately while maintaining a balance between investments for business growth, financial soundness, and increasing returns to shareholders,

thus aiming to achieve greater shareholder value. We have set ROE of 10% or higher as our target for FY2025 as the final fiscal year.





The CAC Group operates system-related businesses
in Japan and other countries.
Here we share information about the content of our businesses
on a segment-by-segment basis.

Domestic IT Business = 78%

Our subsidiaries in Japan provide system development services,
system operation and management services,
human resource BPO services, and other services.

Major Affiliates

CAC Corporation, ARK Systems Co., Ltd., CAC ORBIS CORPORATION,
CAC MARUHA NICHIRO SYSTEMS CORPORATION

P.15

Sales ratio

Fiscal year ended
December 31, 2021

Overseas IT Business = 22%

Provision of services including systems development and
integration services, systems operation and management services, and
maintenance services by our overseas subsidiaries

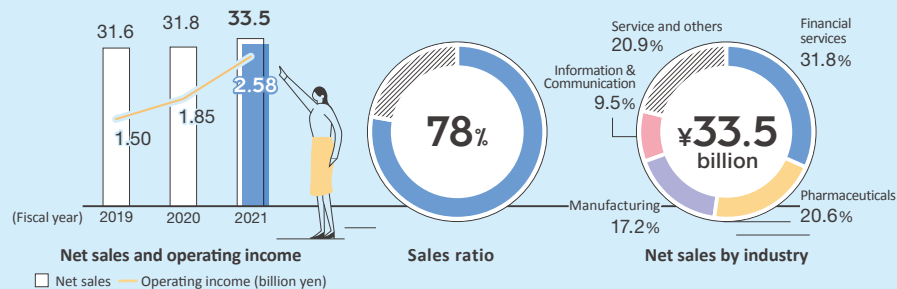
Major Affiliates

CAC AMERICA CORPORATION, CAC EUROPE LIMITED, CAC SHANGHAI CORPORATION,
Inspirsys Solutions Limited, Mitrais Pte. Ltd.

P.17

Note: The CRO business segment, which had been one of our businesses until FY2021, was abolished as a result of the transfer of the subsidiary engaged in that business.

Domestic IT Business



Our subsidiaries in Japan provide system development services, system operation and management services, human resource BPO services, and other services.

Major Affiliates

CAC Corporation, ARK Systems Co., Ltd., CAC ORBIS CORPORATION, CAC MARUHA NICHIRO SYSTEMS CORPORATION

Constituent Companies and Business Activities

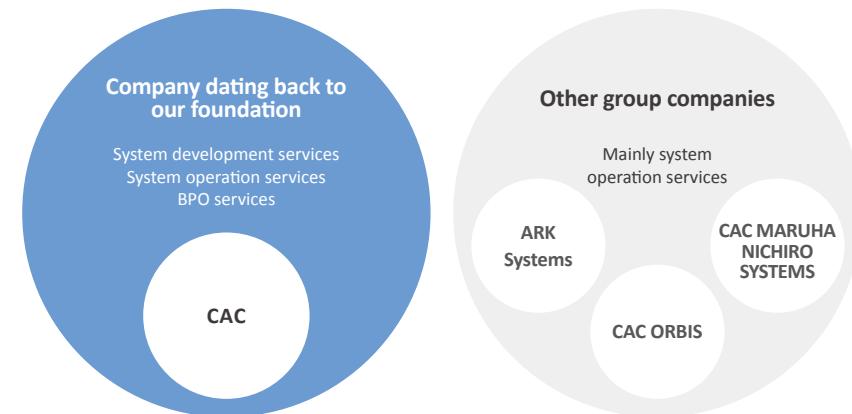
Our subsidiaries in Japan provide system development services, system operation services, business process outsourcing (BPO) services, and other services.

The segment consist of a total of six companies: CAC, which dates back to the Group's foundation, and four IT affiliates of a company acquired in the early 2000s (as of December 31, 2021). CAC offers system development services, system operation services and BPO services, and accounts for approximately 70% of the domestic IT segment's total sales, with the remaining 30% generated by other group companies mainly through the provision of system operation services.

We conduct business mainly in Tokyo and the

surrounding area, but we also have locations in the Osaka area, such as CAC ORBIS. In addition, we established the Nagasaki BPO Center in Nagasaki, Nagasaki Prefecture as a nearshore business location for BPO services in July 2019. In addition to BPO services, the center currently provides IT services for manufacturers and financial institutions. Further, we have dispatched a human resource that will push forward with digitalization in Unzen City, Nagasaki Prefecture and opened HCTech AI Lab Nagasaki, a research and development laboratory. Through these and other measures, we are expanding our bases in Nagasaki, the stronghold for the CAC Group's regional revitalization initiatives.

See  [P.19](#)



Domestic IT Business

FY2021 Business Performance/FY2022 Forecast

Growth achieved in FY2021 by responding to customers' IT investments

In FY2021, despite the deconsolidation of a subsidiary, which was a factor that decreases sales, the core subsidiary CAC and the other consolidated subsidiaries responded to customers' IT investments, received orders for large projects, and increased the number of new customers, which resulted in the growth of net sales (up 5.4% year on year). By customer industry, net sales increased year on year in all industries excluding the service industry, where

sales were posted mainly by the deconsolidated subsidiary. (Sales from customers in the service industry also increased year on year if the impact of the deconsolidation is excluded.)

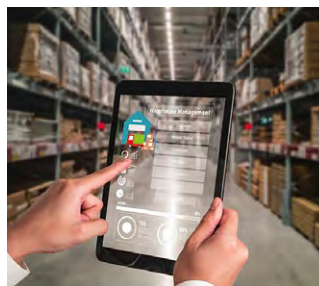
Profit also increased (up 39.0% year on year), primarily attributable to an improvement in the engineer operation rate in addition to the increased sales.

Orders received and order backlogs were also firm.

Steady performance is expected in FY2022 as well.

We need to continue observing the situation because uncertainty remains, including the potential impact of the COVID-19 pandemic. However, we forecast that customers' IT investments will remain steady in FY2022. Therefore, we expect the domestic IT business to grow. However, we expect operating

income to decline year on year because we plan to start reinforcing our structure, investing, and taking other initiatives in the current fiscal year to launch new businesses to achieve CAC Vision 2030 and the Medium-Term Management Plan.



Medium-term Management Plan

Developing existing businesses as the CAC Group's revenue base

We aim to develop the existing businesses as the CAC Group's revenue base, seeking to improve their profitability by reorganizing the businesses that lack

growth potential or a connection with the Group's other businesses and by improving management efficiency.

Building a structure for creating new businesses

We will build a structure for continuing to create new products and services. These preparations will lead to future growth.

Specifically, we will develop solutions based on our HCTech solution concept through collaborative creation (creating new value together with various stakeholders through dialogue with them), with

the leading role played by a dedicated department established within CAC.

The Group will conduct M&A activities, form alliances, and take other necessary measures to address the functions and technological elements that the Group is short of.

Unprecedented value creation

We provide reactive value through systems that observe people by utilizing AI and IoT.



Broad provision of advanced elemental technologies

Various AI implementations such as emotion recognition, pulse wave estimation, face recognition, posture and motion estimation, object detection, exterior inspection and chronological data analysis, along with blockchain, etc.



Support for the development of DX

We provide support on how to utilize advanced technologies to transform business models and boost competitiveness.



Making people happy and creating healthy environments with AI

With the use of AI, we help build healthy lifestyle and work environments that enable people to lead healthy lives.



Achieving workstyle reforms by promoting DX

By introducing IoT, 5G, AI and other technologies into business operations in a way that utilizes people, we facilitate workstyle reforms and improved business efficiency.



Environments designed for value creation that let people flourish

Striving to create environments designed for value creation that let people flourish. We develop environments that let people concentrate on the tasks that can only be performed by people, enhancing their creativity.



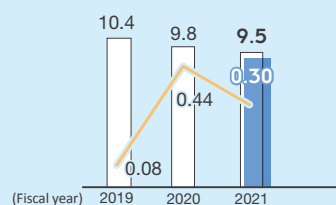
HCTech

AI is at the center of Human Centered Technology, and CAC aims to utilize AI in order to observe people, utilize human resources and promote human health.

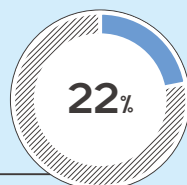
Overseas



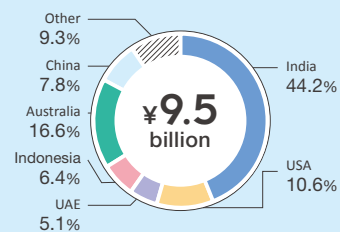
Business



Net sales and operating income
 □ Net sales — Operating income (billion yen)



Sales ratio



Net sales by country

Provision of services including systems development and integration services, systems operation and management services, and maintenance services by our overseas subsidiaries

Major Affiliates

CAC AMERICA CORPORATION, CAC EUROPE LIMITED, CAC SHANGHAI CORPORATION, Inspirisys Solutions Limited, Mitrais Pte. Ltd.

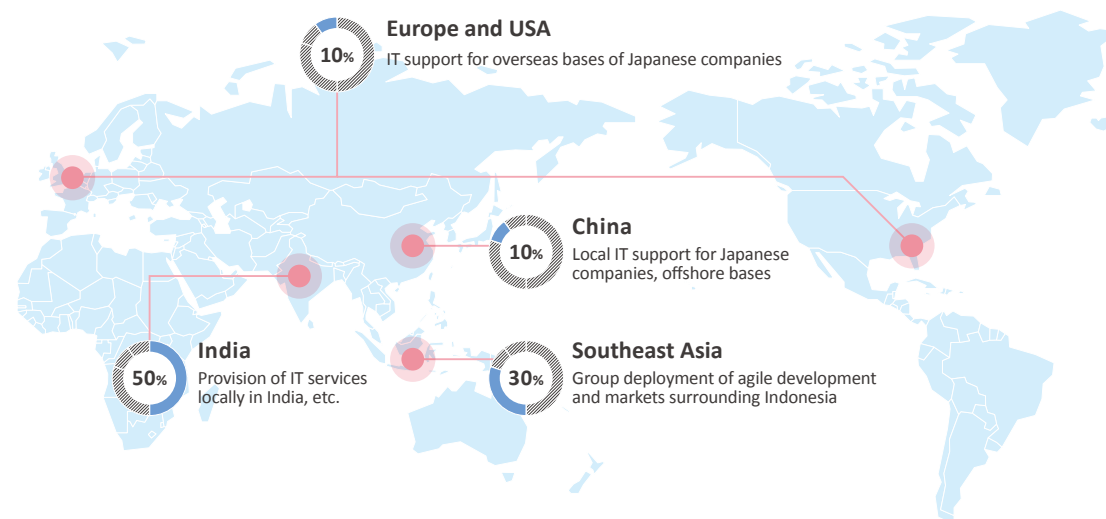
Constituent Companies and Business Activities

We have been focusing on overseas expansion since we established a subsidiary in Taiwan in 1978 ahead of our competitors.

With the overseas expansion of financial institutions and other customers in the 1980s, we established subsidiaries in the USA and the UK to meet demand for local customer support services. In the period that started in the early 2000s, we established a local subsidiary and acquired a local company in China to assist customers in their expansion to China and develop offshore

development structure. In the early 2010s, we anticipated the growth of the IT market in Asia and established a local subsidiary in India while also acquiring the India-based Inspirisys Solutions Limited (then Accel Frontline Limited) to tap into local demand. In 2019 we acquired Mitrais Pte. Ltd., which has business locations in Indonesia. At present, there are 13 constituent companies (as of December 31, 2021). Distribution of sales by region and descriptions of the businesses of major subsidiaries are in the figure below.

Distribution of sales by region and business descriptions



Note: The pie charts shows the percentage of sales from external customers.

Overseas IT Business

FY2021 Business Performance/FY2022 Forecast

FY2021 performance affected by the delayed recovery of subsidiaries in India

In FY2021, net sales fell 3.6% year on year and segment income decreased 32.0% year on year, mainly reflecting delayed recovery in the business results of the subsidiaries in India, despite steady performance in system development projects at the subsidiary in Indonesia and an increase in net sales at the subsidiaries in China.

Looking at the breakdown by customer country (location), a significant decline was seen in services for customers in India and the United Arab Emirates (UAE) which are the major customers of our subsidiaries in India. At the same time, there was an increase in services for customers in Australia, who are the major customers of our subsidiary in Indonesia.

Focusing efforts on profit improvement in FY2022

We are advancing the structural reform of the subsidiaries in India, including expanding businesses focused on hardware sales to services, etc. We will continue to push forward with measures including the review of the content of businesses,

aiming to improve the earnings structure. Steady performance is also expected at other subsidiaries. We therefore expect both sales and income to increase from the FY2021 levels.



From the official Mitrais Instagram account (@mitrais)

Medium-term Management Plan

We will have outsourced projects as an existing business keep growing. At the same time, in global projects, we will provide support and other services to customers' overseas bases jointly with our alliance partners (including overseas IT vendors). We will also improve management efficiency, including the

reorganizing businesses that lack growth potential or a connection with the Group's other businesses and reducing fixed costs, in our efforts to improve profits.

The business structure and our roles in each region are as follows.

Business structures and roles in the period of the Medium-Term Management Plan



United States Europe

Provide support for local subsidiaries of Japanese companies as well as joint support for global projects with alliance partners (overseas IT vendors, etc.)



China

Seek to expand orders received for projects for local projects among both Japanese and non-Japanese companies whilst focusing on contracted business (mainly Japan offshore market)



India

Focus on local projects mainly in India Aim to improve profitability by continuously implementing structural reform initiatives



Indonesia

Play a leading role in agile development within the CAC Group, whilst focusing on contracted business in Indonesia and Australia

Special
Feature

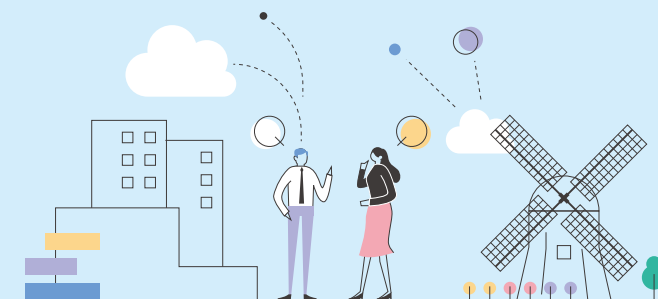
Positively impacting society

— Regional revitalization initiatives in Nagasaki Prefecture

We have set the CAC Vision 2030.

We have launched various initiatives under the slogan for this vision, “a positive impact on society.”

This time, we will introduce ones related to regional revitalization among the CAC Group’s such initiatives.



Aiming to solve regional issues by utilizing ICT and through collaborative creation with local communities

In 2019, we set up a business base in Nagasaki.

We have been expanding our regional revitalization activities steadily by positioning Nagasaki as their hub.

The CAC Group established the Nagasaki BPO Center at Nagasaki BizPORT in July 2019 with the support of the Nagasaki prefectural government, the Nagasaki city government, and Nagasaki Ken Sangyo Shinko Zaidan (a public interest incorporated foundation that promotes local industries), which are proactively attracting the IT industry to Nagasaki.

Of course, the enthusiasm of local residents was the major reason why we selected Nagasaki as the hub. In addition, issues faced by many provincial areas in Japan, such as the remoteness of islands, hilly lands and the decline, outflow, and aging of the population, are concentrated in Nagasaki Prefecture. Therefore, we had a strong desire to solve these issues using the experience and advanced technologies of the CAC Group.

Having started operating as a base for BPO

services, the Nagasaki BPO Center later began to provide IT services. At present, it also serves as a nearshore development base as Nagasaki BizPORT Office.

Later, in July 2021, we have dispatched a human resource to push forward with digitalization in Unzen City using a local revitalization program supported by the Ministry of Internal Affairs and Communications. In November 2021, we opened the Nagasaki NBC Office, our second base in Nagasaki Prefecture attached to HCTech AI Lab Nagasaki. Thus, we are expanding our regional revitalization activities steadily by positioning Nagasaki Prefecture as the hub of these activities. At present, we conduct programming tests of systems for financial institutions, provide system operation support for pharmaceutical companies and transportation companies, and provide personnel BPO services (for manufacturers, retail companies, etc.) at our two bases in Nagasaki Prefecture.

Proactively driving the recruitment of local human resources to contribute to job creation

Contributing to job creation is also one of our regional revitalization initiatives. Since we established the Nagasaki BPO Center, we have been proactively recruiting local human resources.

Employees whom we recruited locally have said, “I feel secure because this company was attracted by the local government,” and, “Although I am in Nagasaki, I can be involved in projects for major companies that operate nationwide. That gives me job satisfaction.” Among all the locally recruited employees who have joined us since the establishment of the Nagasaki BPO Center, only a few have left the company for personal reasons (as of May 31, 2022).

It has been about three years since the opening of the base, and we have recruited approx. 90 employees including contract employees. Among these employees, the employees displaying leadership skills are being developed, which means that our human resource development efforts are also bearing fruit.



The building (Nagasaki BizPORT)
where the Nagasaki BizPORT Office is a tenant

Collaborations with educational institutions also strengthened
Developing into a company that will be admired by local people

We also collaborate with educational institutions. We have joined the Nagasaki STEAM (Science, Technology, Engineering, Art, and Mathematics) Council, an industry-academia-government organization in Nagasaki. As a member of this organization, we not only support the development of the elementary and junior high school students that are future IT engineers but also participate in the Project Based Learning on Practical Problems of Nagasaki University's School of Information and Data Science. The School of Information and Data Science was newly established three years ago. CAC Group employees are involved in this initiative as advisers and engage in activities to solve local issues together with the students of Nagasaki University.

Moving forward, we would also like to recruit new graduates locally. This is another point that

makes it important to build relationships like this with local educational institutions. Currently, the people in Nagasaki have a strong impression that the CAC Group is a BPO company. However, our core strength lies in our technological capabilities and development capabilities. Moving forward, we aim to be admired by local people, including young engineers, as a system development company.

Developing workstyles that are not restricted by time or place
Approx. 90 employees took a "workation" in Nagasaki

At the CAC Group, we implement various measures to develop workstyles that are not restricted by time or place, including the development of a teleworking environment and the introduction of a work-from-home program and flexible working hours.

As one of these measures, we are advancing a workation initiative. From November to December 2021, we conducted a trial of workation in Unzen City and Nagasaki City involving CAC Group employees. A total of 93 employees participated in this trial. They stayed at a hotel or guesthouse for three days and two nights, in principle. They teleworked (worked remotely) from those facilities and spent their leisure time participating in sightseeing tours, strolling in towns richly endowed with nature and engaging in similar activities.

The introduction of workation has great potential for enabling the CAC Group to play a role as a member of the local community and contribute greatly to regional revitalization.



Representative locally recruited employees (CAC Corporation) (from left), Yumi Yoshihara (IT services for financial institutions), Tomoe Hamano (personnel BPO services), and Yuka Jiuchi (IT services for pharmaceutical companies)

It is also expected that, in addition to giving employees a new perspective on ways of working and ways to spend leisure time, workation leads to new discoveries and relationships enabled by interactions with local people, thus leading employees to find catalysts for open innovation.

Collaborative creation as the theme of our future actions

Working together with local people to make Nagasaki a better town using ICT

The theme of our future actions for this initiative is collaborative creation.

We aim to make Nagasaki a better town using

ICT together with local residents by deepening our relationships with local governments, local companies, educational institutions and other parties. The groundwork for these activities is steadily progressing, so we would like to remain firmly rooted in Nagasaki and work on this initiative.

The following pages
introduce two employees
working successfully in Nagasaki.



Nagasaki BizPORT is located in an open area facing the Nagasaki Port. Being close to Nagasaki Station, this building also features superior accessibility.

Interview with Employee 01

Initiatives at HCTech AI Lab Nagasaki, a research and development laboratory

Interview

01

Katsumi ShirosakiCAC Corporation
R&D Center

Helping solve local issues in Nagasaki using advanced technologies including AI and IoT

Volunteered to be dispatched to Nagasaki, with a desire to do something that surprises people

I majored in electronic information engineering when I was a student. I joined CAC in 2020. I met CAC at an explanatory session on its internship program. At this session, I was surprised to see CAC's technologies, including the emotion recognition AI. This made me want to do something that surprises people, so I participated in the internship program and decided to join CAC.

Now I am working at HCTech AI Lab Nagasaki, a research base where we address local issues. It opened in April 2021 and relocated to the Nagasaki NBC Office in November of the same year. I also decided to come to Nagasaki as a founding member of HCTech AI Lab Nagasaki because I wanted to do things that surprise people. I am from Ibaraki Prefecture and I had never been to Kyushu or Nagasaki. However, I volunteered to be dispatched

here, excited about the opportunity to solve local issues using advanced technologies.

The center of Nagasaki is close to an area richly endowed with nature, so the air is clean here. But it also has the convenience of an urban area. I feel it is a well-balanced place. The local people are kind, so I find it comfortable to live here.

Using advanced technologies to solve issues faced by local companies and governments

HCTech AI Lab Nagasaki is the base for our activities teaching local residents about our advanced technologies, such as technologies related to AI and IoT, and we consider how to apply them to solve issues together with the local people, based on the CAC Group's solution concept, "Human Centered Technology (HCTech) to observe people, utilize human resources and promote human health."

At the gallery, you can see systems and apps

that apply advanced technologies, including an expression and emotion analysis app based on an emotion recognition AI. When it opened, the facility was covered by many local mass media organizations.

We also use the facility as a place for interactions where we consult with people regarding the utilization of IT for companies, local governments, and educational institutions in Nagasaki Prefecture. Actually, we have consulted regarding multiple issues.

For example, we are now working on the production management system of a shipbuilding company in Nagasaki Prefecture. The company faced a problem because of its extremely wide factory site — the difficulty of checking who was doing what tasks when. In response, we installed cameras in various locations and created a system that detects people and checks them against the work schedule. The system is in the validation phase at present. If it is used, it will make it easy to check if operations are done appropriately, and it will also prevent problems.

We would like to continue creating points of contact with local companies like the above that face issues in their operations, and developing and proposing systems which will solve their issues using AI and other advanced technologies.

My dream is to develop something new with my colleagues in Nagasaki and deliver it nationwide.

Cooperation with the local government is important for the creation of points of contact with local companies. Regarding this, our Nagasaki office is located in the center of the city of Nagasaki. I am proud that we are the IT company that is closest to the prefectural government building (laughter).

Leveraging local human resources is also important. Currently, approx. 90 people work at the base in Nagasaki. Many of them are young staff members, and our workplace is vibrant. Most of the staff members are from Nagasaki, and many of them worked in different industries before joining us. CAC is a fairly large company compared to other IT-related companies in Nagasaki Prefecture, and we provide sufficient training. Therefore, many motivated colleagues join us with the goal of advancing their careers.

Recently, I have been involved as an advisor in a course at Nagasaki University's School of Information and Data Science. I have opportunities to teach students how to write computer programs. Students from the university joining CAC as our new colleagues makes me happy.

Because many local companies in Nagasaki face issues, there are many chances to make

new proposals using advanced technologies. I also think that our environment enables to improve our skills as engineers. I myself want to improve my skills. I also want to help people in Nagasaki develop because there are many schools in this prefecture which have good IT programs, including robotics. In the future, I want to develop a new system or app which will surprise people together with these colleagues and deliver it nationwide. This is my dream.



HCTech AI Lab Nagasaki,
the base for research on advanced
technologies and interactions with
local companies and governments

Interview with Employee 02

Initiatives to drive digitalization and promote tourism in Unzen City

Interview
02

Hoshito Nakamura

CAC Corporation
New Business Development DepartmentDesiring to make a positive impact
on society by driving digitalization
of the local areaDispatched to Unzen City as a Local
Revitalization Entrepreneur helping drive the
digitalization of the area

I am in my fifth year at CAC. I was previously working in the New Business Development Department, where I was researching and reporting, supporting project management, supporting users of portal sites, and other tasks for the private enterprises that are our customers.

In July 2021, I was dispatched to the Policy Planning Section of the Unzen City government as a Local Revitalization Entrepreneur under an agreement signed between the CAC Group and the Unzen City government. In this section, I am working to drive the digitalization of the city. (I have been working in the Administrative Reform Promotion Division since the beginning of FY2022.)

First, I will briefly explain how I was dispatched to Unzen in the first place. The catalyst was

the CAC Group's opening of a business base in Nagasaki City in 2019. The Group began working to innovate in ways that would be useful for solving local issues in Nagasaki and for regional revitalization. In one of these initiatives, the Group signed agreements regarding digitalization and the promotion of tourism with the Unzen City government in Nagasaki Prefecture in July 2021. The agreement regarding digitalization was concluded to dispatch IT personnel from CAC to the Unzen City government via the Local Revitalization Entrepreneur Program of the Ministry of Internal Affairs and Communications, with the goal of improving services for citizens provided by the Unzen City government. The goal of the agreement for the promotion of tourism is the revitalization of the local community through measures to promote tourism in Unzen City, including the promotion of CAC employees taking workations.

The Local Revitalization Entrepreneur for

digitalization dispatched to Unzen City under this agreement was recruited internally. I applied for the position because I definitely wanted to try the job, and I was selected for the position.

To many, the name Unzen City may evoke the image of Mt. Unzen Fugen-dake. However, Unzen has many hidden charms, including time-honored hot spring resorts that make people pronounce “Hot spring” as “unzen,” as well as Japan’s first national park and a wealth of local foods. Because the Unzen area has huge elevation differences, you can enjoy both a seaside hot spring resort featuring a beautiful evening view and a hot spring resort above the clouds surrounded by the mountains in which gods live. Also, local people are really warm-hearted and warmly welcome visitors from other areas, so I believe that it could be a second hometown for all people.

I try to engage in dialogue and keep my eyes open.

The Unzen City government has formulated the ten-year Unzen City Comprehensive Plan to be the guide for the municipal government’s overcoming of the problem of population decline and responding to changes in social and economic conditions to revitalize the local economy. At present, I am mainly in charge of creating the plan for digitalization, which is a part of the Unzen City Comprehensive Plan.

However, digitalization cannot be pushed forward just by drawing up a plan. I need to carefully explain, starting with what digital technologies are, what we can do with them and why we need them, to ensure the people in the city government understand. For this purpose, I first held seminars on digital technologies and trends in digital technologies for officials above a certain level. For young officials, I held workshops to enable them to think of new ideas for digital technologies. Thus, I started with activities to increase their awareness of the importance of digital technologies and provide momentum for the utilization of those technologies.

In addition, because citizens are the municipal government’s customers, I also take measures for the citizens of Unzen City. For example, in Unzen City the Kumosennin project is aimed at building a network of people making

goods and organizing events and sharing information about them to people inside and outside Unzen City. I consult with people participating in this project to solve problems related to digital technologies. By briefly consulting with citizens to solve their problems related to digital technologies, I deepen my knowledge of the measures that are needed by talking with them and actually solving their problems.

Additionally, my eyes are open to the internal operations of the municipal government, looking for points which I can improve in some way just as I solve the problems faced by citizens. There were actually cases where I noticed something about their tasks, such as ways to use Excel effectively, and talked to them, which resulted in the improvement of their daily operations.

And also proactively pushing forward with tourism promotion initiatives

I also engage in tourism initiatives under the agreement for promoting tourism. Specifically, I promote workations and open innovation. I also helped establish the UNZEN Destination Service, which manages regional tourism. This organization was made a general incorporated association in February 2022.

Regarding workations, the CAC Group conducted a workation trial in Nagasaki City and Unzen City in 2021 that many employees participated in. In this trial, I requested the cooperation of many locals and coordinated

Special
Feature

Positively impacting society

— Regional revitalization initiatives in Nagasaki Prefecture



various aspects as an employee working locally. In Unzen City, there is the Unzen BASE for communication which uses the buildings of abolished elementary and junior high schools. A workation trial was also conducted there, and I gave feedback from a corporate perspective.

The Unzen City government is also considering using Unzen BASE as a base for open innovation. I participate in an initiative called Unzen Working, in which people from various industries gather once a month to discuss various issues in Unzen. Interacting with people from tourism-related companies and mass media, I do a lot of thinking about what we can do for the future of Unzen leveraging the power of companies. I also participate in programs for solutions for the real world focused basically on local issues, which are implemented as part of recurrent education at the University of Tokyo and Ritsumeikan University. I support these programs by sharing opinions partly from the standpoint of a private company and partly from



Unzen Working



Positively impacting society
— Regional revitalization initiatives in Nagasaki Prefecture

the perspective of the government, serving as a mediator, and other activities.

Regarding the support for UNZEN Destination Service, I created lectures on everything from scratch, including a lecture on how to develop information infrastructure, which I gave when the organization was launched, as well as lectures on the introduction of new workstyles and how to use chat tools and cloud data storage.

Working daily from a long-term perspective guided by CAC Vision 2030

The CAC Vision 2030 slogan formulated by the CAC Group, “Evolving into a corporate group that consistently makes a positive impact on society, with technologies and ideas,” totally makes sense to me.

I think, however, that because the company set this slogan, all of us must go in this direction. I think that improvement of internal communications for this purpose is our future challenge. To impact society we must invest considering many things from a long-term

perspective, instead of seeking short-term profit.

As for me, as long as I am working here, I want to produce results as quickly as possible. Having said that, I would like to work on something that will remain meaningful over the long term. One way of achieving a visible result is to develop something that seems to be easy to make. With this method, however, it is difficult to create something that impacts society.

I will continue to launch feasible projects based on needs, together with the officials that participate, so that the projects are not just pie-in-the-sky ideas. I believe that changes need to happen not only in the aspect of technologies, or digital technologies, but also in culture and awareness. I therefore want to move forward by having careful dialogues with as many related people as possible.



Comment

We expect continued support for the digitalization of Unzen City.

Mr. Takashi Matsushita

Deputy Director-General (in charge of policy planning),
General Affairs Department, Unzen City government



At present, the efforts to achieve digitalization, which include DX and Society 5.0, are collectively called the Fourth Industrial Revolution and they have spread to public administration. We are seeing the acceleration of initiatives using digital technologies to improve the lives of residents and enable industries to grow. The Unzen City government is exploring ways to keep up with these efforts, and staff members from the section in charge of information are playing a leading role in this.

Against this background, the Unzen City government decided to inform citizens of our desire to make them happy by using digital technologies and signed an agreement with CAC Corporation regarding the dispatch of its employee under the Local Revitalization Entrepreneur Program of the Ministry of Internal Affairs and Communications, aiming to achieve the digitalization of the municipality.

Mr. Hoshito Nakamura has been working with us since July 2021 through this agreement. Immediately after he joined us, Mr. Nakamura read various plans, including the Unzen City Comprehensive Plan, and identified and organized the issues that needed to be overcome to achieve the digitalization of Unzen City. In addition, when Unzen Onsen (hot spring resort), the symbol of tourism in the city was affected by the disaster in August last year, he made recommendations regarding the evacuation of residents although he had just been assigned to work with us. He also provides training for executive officials and young officials in the municipal government. He brings a fresh sensitivity to the public administration.

Mr. Nakamura also proactively participates in community activities, taking the initiative and providing support in the field of digital technology, such as support for online meetings. It is an area where aged people lacked skills.

The Unzen City government has established a digitalization project team. I hope that Mr. Nakamura will find the climate and life in Unzen City more familiar to him and play a central role on the team, making recommendations and implementing measures for digitalization to improve industries and citizens' lives.

In this way, CAC Corporation is bringing a fresh sensitivity to the public administration of Unzen City in various fields, in addition to supporting us in our digitalization. I would like to express my sincere gratitude for the support. I appreciate your continued guidance.



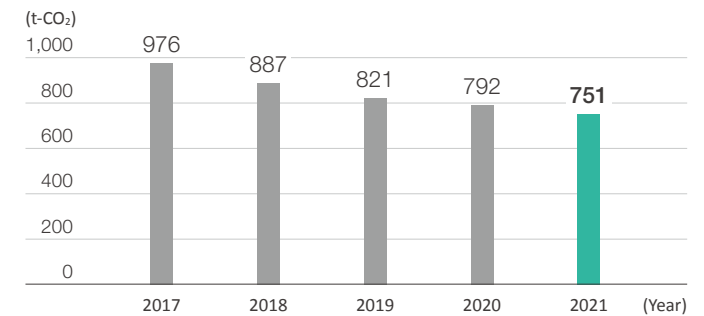
Environmental actions

The CAC Group understands that initiatives to address global environmental issues are tasks the world must engage in together. Based on this understanding, we aim to ensure that our corporate activities are environmentally friendly.

Saving energy at the head office building

In our business activities in our office, we engage in initiatives including the reduction of power consumption through the improvement of the energy efficiency of the office building and other measures, the implementation of paperless operations through the digitalization of internal documents, the introduction of an electronic contract system, the recycling of the paper used in the office, and other measures. Moving forward, we aim to ensure that our corporate activities become more environmentally friendly by considering the shift to using electricity that has a reduced impact on the global environment and other initiatives.

CO₂ emissions from the head office building (estimated)*



*Estimated by multiplying the power consumption at the head office building by the emission factors from the list of calculation methods and emission factors from the Ministry of the Environment

*Emission factors for FY2020 were used because they have yet to be announced for the period from April to December 2021.

Under our Corporate Philosophy and CAC Vision 2030,
we will seek to contribute simultaneously to the establishment of
a sustainable society and to our own growth together with our stakeholders,
through the business activities of our highly skilled IT human resources.

Environment

Environmental
actions

» P.26

Social

Creating a rewarding workplace
environment

» P.27

Solving social issues using IT

» P.28

Collaborative creation
with local communities

» P.29

Special Feature
Interview with an Outside Director
and a D&I expert

» P.31

Governance

Corporate governance

» P.35

Officers

» P.37

Compliance/
Risk management

» P.39



Social

We aim to create a rewarding workplace environment for employees.

Promotion of health and productivity management

We aim to provide healthy, safe workplaces by looking at employees' health and providing them with support for their health from a comprehensive perspective, focusing on not only their physical health but also their purposes in life, spiritual wealth and dignity.

CAC Corporation, which is the core subsidiary, published the CAC Wellness Declaration in November 2019, vowing to improve the quality of life of employees using HCTech by focusing on physical health, mental health, environmental health and social health. In April 2022, the company acquired the Gold Certification as a company with outstanding health promotion under a certification program operated by Kenko Kigyo Sengen Tokyo

Suishin Kyogikai, a council of organizations formed to promote health initiatives among SMEs in Tokyo. The company was awarded the certification in recognition of initiatives to ensure appropriate working hours, establish diverse workstyles with flexible working hours and a work-from-home system, and the fact that it encouraged not only its employees but also their non-working dependents to receive regular health checkups by working together with the health insurance union and others.



Ratio of employees who undergo physical examinations

35 or older **93.6%**
Younger than 34 **94.3%**

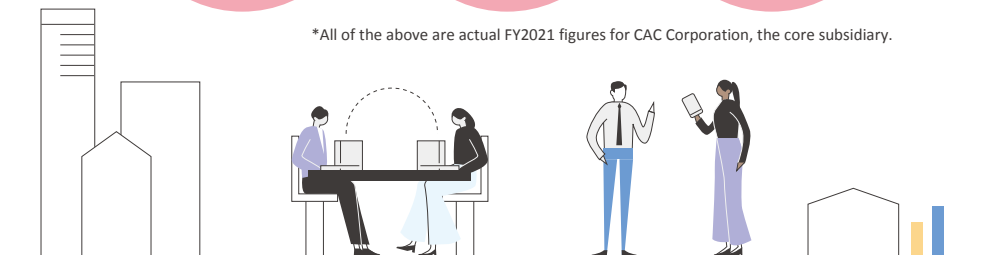
Ratio of employees who have undergone a stress check

95.6%

Ratio of taking annual paid leave

55.4%

*All of the above are actual FY2021 figures for CAC Corporation, the core subsidiary.



*The Japanese term kenko keiei (health and productivity management) is a registered trademark of Nonprofit Organization Kenko keiei.

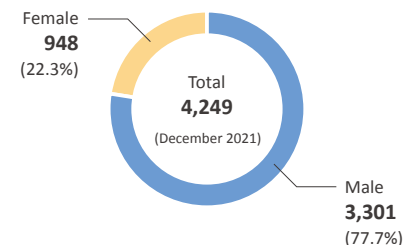
Creation of a workplace where diverse human resources can demonstrate their capabilities

To create and develop new services and products based on many ideas generated by diverse employees, we need to create a workplace environment where each individual is accepted as someone different from others and treated as a valuable part of the overall organization and their differences are leveraged.

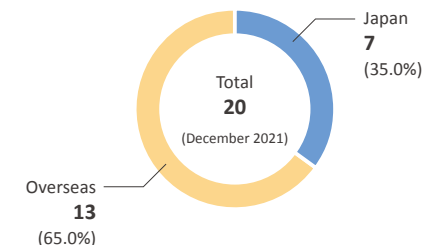
At the CAC Group, remote working is possible

at almost all of the Group companies all over the world. Nursing care leave, childcare leave, and other programs have also been established. The core subsidiary proactively updates its personnel system, including the introducing flexible working hours. It also continues to implement initiatives to diversify workstyles.

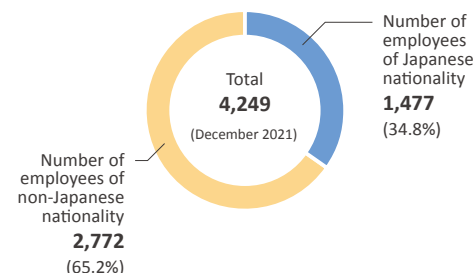
Male-to-female ratio of CAC Group employees



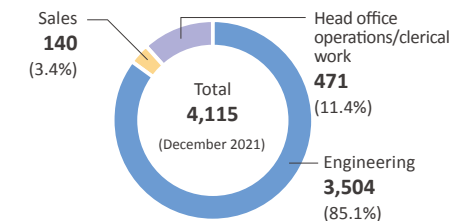
Locations of Group companies



Composition of CAC Group employees by nationality



Composition by job type



*Aggregated data from CAC Holdings and Group companies with 100 or more employees each



Social

We aim to help build a wealthy society and provide value through initiatives to solve social issues with IT.

Solving social issues with IT

As stated in the CAC Vision 2030 slogan, “Evolving into a corporate group that consistently makes a positive impact on society, with technologies and ideas,” we aim to solve social issues by creating and providing solutions using AI, IoT, other digital technologies and data.

The CAC Group has established our Human Centered Technology solution concept. This does not assume that new technologies such as AI will take jobs from people. It assumes the initiatives in which AI will increase the productivity of people.

For example, we are considering the development of a solution which supports people with disabilities by combining AI with other technologies, aiming to realize an inclusive society with universal design. We are also considering regional revitalization initiatives, such as the development of a mechanism to support regional medicine by creating a system which makes it easy for local medical personnel to seek advice regarding medical care from specialist physicians.

We would also like to contribute to the health

of people by working in the healthcare domain, where the CAC Group has an advantage. For example, in response to the progress of the aging of the Japanese population, we are considering a solution to prevent accidents by applying a technology assuming the postures and motions of facility users or patients based on video, to detect signs of dangerous movements that may result in a fall or similar accident.

We believe we can help solve social issues in various settings in addition to the above. For example, we can visualize data obtained using a range of sensors attached to equipment and also use remote equipment monitoring and machine learning to analyze factors, detect abnormalities, and implement predictive maintenance (support for upgrading factories to smart factories). We can also apply an AI model developed uniquely by CAC at a factory or similar facility in a complex manner to detect arbitrary objects or workers’ movements using images, thus preventing operational error and prohibited movements (productivity improvement).

Case Study

AI makes everyday life easier

Using gestures to control devices and equipment

CAC, in collaboration with Nikken Sekkei Total Research Institute, Inc. (NSRI), developed UT-AIZ™*, an engine that controls equipment and devices by detecting human movements with AI. We then collaborated with Goldman Inc. in the development of the concept model of “Assist Swing UT-IAZ™”, incorporating UT-IAZ™ into Goldman’s Assist Swing® automatic doors. UT-AIZ™ opens doors automatically by reading the gestures of people with disabilities, people dependent on care, or people who cannot use both of their hands since they are carrying their baggage or stuff, enabling them to pass through doorways easily. As well as its application for opening doors, it is envisaged that the UT-AIZ™ will be used in a variety of other applications, such as monitoring of

people requiring caregiver assistance, detection of signs of problems appearing on people’s daily lives, and crime prevention measures in towns.



Illustration of Assist Swing UT-AIZ
©NIKKEN SEKKEI LTD

*UT-AIZ is a registered trademark of NSRI and CAC (joint application pending), NSRI and CAC patent pending

Social

We aim to help build a wealthy society and provide value through collaborative creation with local communities.

Initiatives for local communities

The CAC Group aims for collaborative creation with local communities to help build an affluent society. The goal of this collaborative creation is creating businesses, which we hope will eventually lead to the promotion of employment in local communities and their revitalization.

CAC Corporation, which is the core subsidiary, opened the Nagasaki BPO Center, a satellite office, in Nagasaki City, Nagasaki Prefecture in 2019. The company has employed more than 90 local people at the office. In addition, in July 2021, we dispatched an employee to the Unzen City government to push forward digitalization via the Local Revitalization Entrepreneur

Program supported by the Ministry of Internal Affairs and Communications. In November 2021, we opened the Nagasaki NBC Office, our second office in Nagasaki Prefecture. HCTech AI Lab Nagasaki, a research and development laboratory and our base for open innovation, is attached to Nagasaki NBC Office. Thus, we are steadily expanding our regional revitalization activities by positioning Nagasaki Prefecture as their hub. [P.19](#)

In addition to the above, we have continued to address the shortage of highly skilled DX human resources in society, such as by providing IT training to students and internships.



HCTech AI Lab Nagasaki



Nagasaki NBC Office

Activities for promoting and supporting boccia, a sport for people with disabilities

Since 2016, the CAC Group has been implementing a range of activities promoting and supporting boccia, a sport for people with disabilities as an initiative to help build an affluent society.

In addition to providing support as a Gold Partner of the Japan Boccia Association (JBoA), we provide support for boccia tournaments and trial sessions in Japan, and have Group employees who have obtained JBA accredited referee qualifications officiate at tournaments held around Japan. Additionally, with the aim

of popularizing the sport, we provide support to boccia athletes, hold the CAC Cup student tournament, donate equipment to groups that find it difficult to purchase what is required, and allow the boccia court installed in the head office building to be rented out by the general public.



Athlete Shun Sato



Boccia Measure



Donation of boccia equipment

Activities for promoting and supporting boccia



The CAC Cup (held in September 2019)

Running Boccia Tournaments

Since 2017, the CAC Group has sponsored the CAC Cup every year, which is a boccia competition among schools for special needs education located in Tokyo. (The fourth tournament in 2020 was cancelled to prevent the spread of COVID-19. The fifth tournament in 2021 was held as an online event.)

In addition to providing the participating students with the opportunity to engage with other schools and learn boccia techniques, competition manners, rules and sportsmanship, we also hold events alongside the main competition to give spectators hands-on experience with boccia, showing them that it is a healthy sport

which everyone can enjoy regardless of disability, age or gender.

Also note that the CAC Cup is planned and operated by CAC Group employees themselves, and has become a valuable opportunity for tournament organizers and volunteer participants to experience social contribution in action.

Please see our website for more information about the CAC Cup.
(Only available in Japanese)
<https://caccup-boccia.com/>



Opening up the boccia court to the general public

In July 2019, we set up a regulation-sized boccia court with a TARAFLEX sports floor, as used in major international tournaments, on the first floor of our head office building. In addition to using the court internally, it is also rented out to the general public, either as a proper practice court for athletes, or as somewhere for members of nearby companies and local residents to socialize or stay healthy. We continue to implement these initiatives with the goal of being recognized as a company working hand-in-hand with local communities, by not only our customers and business partners but also local people

who are our important stakeholders.



Boccia court (first floor of head office building)



Outside Director

× Expert Interview

Interview

with an Outside and director of diversity
and inclusion (D&I) expert

In recent years, as many social issues have surfaced, DX has accelerated and other major changes are taking place, it is said that creating and providing new value using human resources from diverse backgrounds is essential for the achievement of sustainable growth as a company.

Our Outside Director and an expert talk about the use of human resources and related initiatives at the CAC Group.



Mika Matsuo
CAC Holdings
Outside Director

Miyoko Kojima
ourshare Co., Ltd.
CEO

While rich in diversity in terms of nationality and disability, the Group needs to implement more initiatives regarding the active participation of women.

Kojima What I felt through the survey and the analysis of diversity and inclusion (D&I) that I did for the CAC Group is that while the numbers are above the industry norm, the absolute numbers are still insufficient. What are your views on D&I and sustainable management, Ms. Matsuo?

Matsuo We have discussed sustainable management several times at the Board of Directors' meetings. But we have never

talked about D&I as a single topic. This is probably due to the idea that the CAC Group is already very diverse because it has many employees of nationalities other than Japanese. Then, when I ask "What about women?" they say "Let's set aside the issue on women for now." It is true that there was this atmosphere.

However, although the Group did not take any special actions to encourage the active participation of women, your report shows higher numerical values than the industry norm. This allowed me to reconfirm that it is thanks to the CAC Group's positive corporate climate

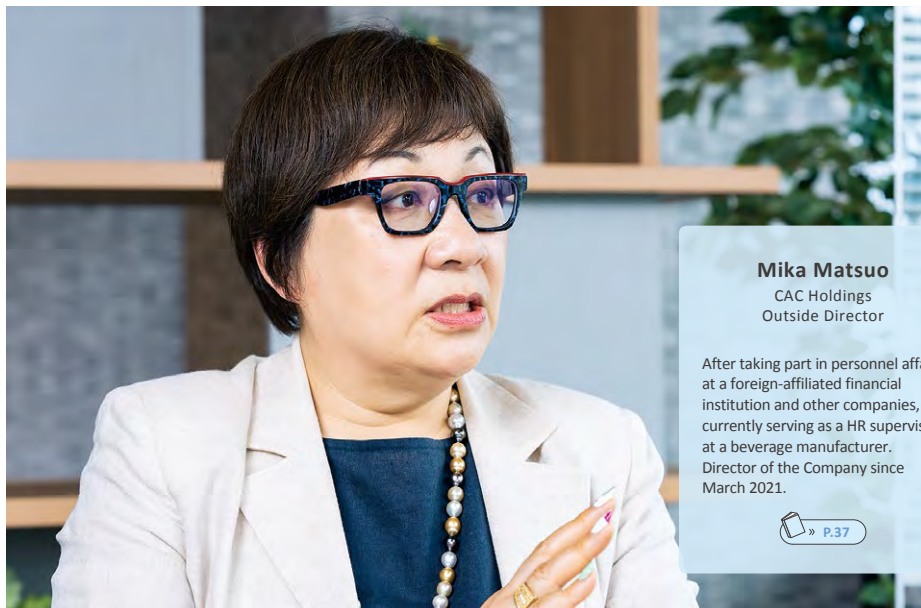
featuring equal relationships.

Kojima I have the impression that all the people I meet in the CAC Group are high-spirited and can communicate their intentions well. However, D&I tends to start from the active participation of women and foreigners, doesn't it?

Matsuo It may be true generally. However, I feel that awareness of people with disabilities is high at the CAC Group due to the activities for promoting and supporting boccia, a sport for people with disabilities. Company-wide involvement in a sport which can be played by people with disabilities is very important for raising employees' awareness. In this respect, we can say that D&I has been instilled in the Company.

In addition, the CAC Group's open attitude to foreigners is actually a rare phenomenon at Japanese companies. I am not sure why this phenomenon has occurred at the CAC Group. But it seems that subsidiaries in Japan and other countries are interacting with each other through technology. Further, in some projects, services are provided to customers jointly with overseas partners. Considering these points, I think they understand each other beyond culture, via technology as a common language.

I think that even more excellent results will be produced if actions are taken to accept diversity, including the promotion of the active participation of women.



Mika Matsuo
CAC Holdings
Outside Director

After taking part in personnel affairs at a foreign-affiliated financial institution and other companies, currently serving as a HR supervisor at a beverage manufacturer. Director of the Company since March 2021.



Some of the results of the D&I survey

Ratio of female with managerial titles¹ **11.8%**

(Average for the information and telecommunications industry: 9.7%)²

Ratio of female employees¹ **29.6%**

(Average for the information and telecommunications industry: 28.9%)³

¹ Average for the three major CAC group companies in Japan
² From FY2020 Basic Survey of Gender Equality in Employment Management by the Ministry of Health, Labour and Welfare
³ Labour Force Survey, Statistics Bureau of Japan (2021 data for the information and telecommunications industry)

A serious decision by top management is the key to the promotion of D&I.

Kojima Generally, a frequent reason for impeding the active participation of women is that they cannot work long hours.

Matsuo But will the young generation accept long working hours? I think they won't. While the acquisition of human resources is a global challenge, companies must be friendly to all employees, including women. This will be essential for securing a labor force, including excellent human resources in particular.

Job relocation is also regarded as a barrier to the active participation of women, but I think this can be solved by using IT, including remote working, in many cases. In addition, leadership training for women is not provided by the CAC Group at present. A training program such as this may need to be adopted to accelerate the development of female human resources who will join the

management team. I think that, if there is a training program that no woman has ever participated in, they have no choice but to provide women-only training to enable the women to catch up to those who have received the training although I personally don't support the idea of providing training only for men or women.

A serious decision by top management is essential for opening up ways for senior management to promote D&I. President Nishimori of the CAC Group thinks flexibly. He is also a person who acts immediately if he accepts an idea. I will therefore deepen the discussion at the Board of Directors' meetings.

Kojima President Nishimori has set the Five Values as the code of conduct for achieving the Vision. They are Creativity, Humanity, Challenge, Respect, and Pride. Among these five words, Challenge is the core. How will the CAC Group develop people with a Challenge mindset?

Matsuo At the Board of Directors meetings, it has been suggested that they establish something like an academy for passing on the skills and qualifications of the current Board members and Executive Officers from generation to generation. Further, the CAC Group employees with whom I have contacted have skills, a management mindset, and they display leadership, so they are well balanced. Therefore, I think that these qualities should also be passed down properly.

Let me tell you what I hope personally.

I hear that the number of both male and female students in the sciences has been decreasing in Japan recently. Because the CAC Group is a corporate entity which practices sustainable management and provides sustainable technologies, it should be able to enhance technological education for the younger generation and for the future of Japan. For example, I think that if the CAC Group can support initiatives enabling students to enjoy science while they are young children, such as by promoting technological education when students are in elementary, junior high, and high school, including female students, the CAC Group will be able to acquire excellent human resources and contribute to other companies as well as the Group companies.

A valuable company where diversification of management is making progress. Its businesses should also be sustainable.

Kojima Is the diversification of management making progress?

Matsuo To manage a company, you need to have astounding power. President Nishimori is very energetic, and I feel that the baton has been successfully passed from his predecessor in the aspect of management as well. This is one of the tasks that should be continued. We can also say that management is growing more open to foreigners because there is a non-Japanese Executive Officer. We can expect more

diversity if women join them. I hope that women who will join the management team will develop within the Group. The roles they play differ from the roles of the Outside Directors.

Speaking of the Outside Directors, there is another woman, who is a medical doctor. Thus, the Group has appointed not only businesspeople but also a person with a different perspective.

Kojima The number of companies which have achieved diversity within their management teams is still small, so the Group's management is valuable in this sense, too, isn't it? Top managers make

commitments, and management is diverse as well. The issue is how to develop human resources internally, isn't it?

Matsuo Yes, it is. The CAC Group has an open corporate climate with equal relationships. I think they should effectively take advantage of this corporate climate. For example, I am concerned that, as far as I can see, the staff of the administrative body supporting the Board of Directors is exclusively male. I am not sure if all of the members of the administrative organization are men, but they should be aware that this is a factor in the company



Miyoko Kojima
ourshare Co., Ltd.
CEO

Leveraging her experience promoting diversity at an IT company, she engages in a wide range of activities, including lectures, surveys and support regarding the active participation of women and D&I.



that is likely to result in male-dominated organizations, and change it. I think this will make things better.

The CAC Group is a system integration (SI) company, which is influential in various industries. If it can provide businesses that support the ability to promote diversity, including the active participation of

women, its employees should have greater job satisfaction and pride. Not only people and organizations but also the businesses themselves must be sustainable.

I would like to continue the discussion from this perspective at the Board of Directors' meetings, thus contributing to the management of the CAC Group.

Kojima I hope that the CAC Group will continue to grow by opening its door to all excellent people, including women, just as it has been accepting foreigners and people with disabilities widely with an open mind.

Governance

Corporate governance

Basic approach

At the CAC Group, we have established the Basic Policy on Corporate Governance to fulfill our social responsibilities for our shareholders and various other stakeholders (including our customers, business partners, society and employees) and

achieve the medium- and long-term improvement in our corporate value in accordance with our Corporate Philosophy and Five Values. Under this basic policy, we continue striving to strengthen our corporate governance.

Corporate Philosophy of the CAC Group

Creating new value on a global level with the use of the latest ICT

Five Values

Creativity	Valuing ideas and thinking unbound by preconceptions
Humanity	Living in a human way, with an emphasis on humanity
Challenge	Continuing to attempt new challenges without fear of failure
Respect	Respecting others and never forgetting our sense of gratitude
Pride	Believing in the efforts of our colleagues and ourselves, and producing results that we can be proud of, with respect to society

Please refer to our website for our Basic Policy on Corporate Governance.

https://www.cac-holdings.com/ir/governance_policy.html



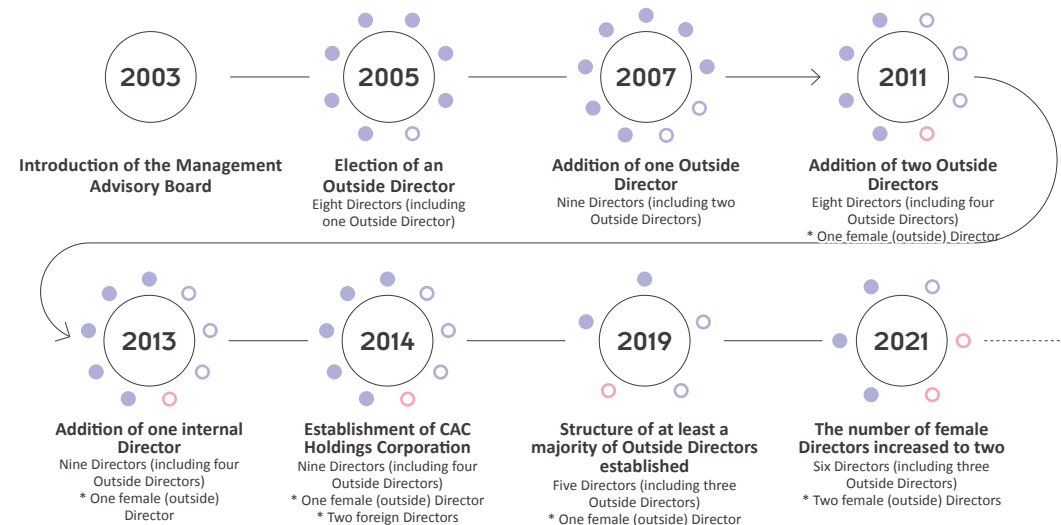
Basic structure of governance and management execution system

At the CAC Group, we have been strengthening governance aiming for open management with an emphasis on the transparency of management. In 2003, we set up the Management Advisory Board and began to take initiatives for obtaining advice and recommendations about corporate governance from external specialists. In 2005, we made the change to a management system that includes Outside Directors. Currently (as of March 29, 2022), our Board of Directors consists of six Directors, three of whom are Outside Directors (one man and two women). All of the Outside Directors are independent officers. In 2014, we

made the switch to a pure holding company structure to speed up the formulation of business strategies for the entire group and the business administration of group companies.

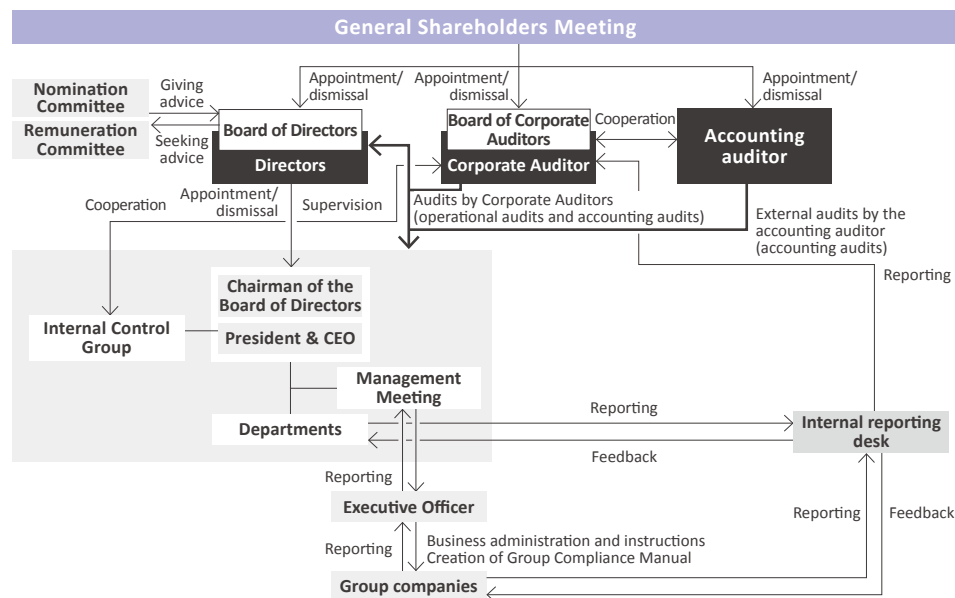
In 2019, we separated management decision-making and supervising functions from executive functions for the purpose of further strengthening corporate governance. The Board of Directors determines management policies and strategies for the entire group and supervises business execution of the Executive Officers, while the Executive Officers focus on business execution in line with the policies determined by the Directors.

Reinforcement of the governance system



Governance

Corporate governance system chart



Board of Directors

The Board of Directors meets regularly every month and as needed. Important matters are submitted for discussion at the Board of Directors, and the status of operations is reported as needed. The Management Meeting has also been established as a body that deliberates and makes decisions on the execution of important business for the entire CAC Group. In principle the Management Meeting convenes twice a month and on an ad hoc basis whenever needed, and endeavors to facilitate the agile execution of business. The Management Meeting is made up of the President & CEO and other persons they nominate.

Board of Corporate Auditors

Our Board of Corporate Auditors consists of four Corporate Auditors, two of whom are Outside Corporate Auditors. They meet regularly every month and as needed to hold discussions aimed at ensuring the adequacy and appropriateness of decisions made by the Board of Directors. Corporate Auditors actively participate in Management Meetings and other important meetings in addition to the Board of Directors Meetings to properly monitor Directors in the performance of their duties.

Remuneration Committee

The amount of remuneration, etc. for Directors is determined by the Board of Directors on the basis of a comprehensive assessment of each Director's role and level of contribution within an upper limit resolved at the General Shareholders Meeting.

The Remuneration Committee, which is chaired by an Outside Corporate Auditor (Yuichi Ishino), was established as an advisory committee for the purpose of deliberating the appropriateness of remuneration for Directors, etc. Moreover, to promote value sharing with shareholders, the Company introduced a restricted stock program at the 53rd Annual General Shareholders Meeting held on March 27, 2019.

Nomination Committee

The Nomination Committee, which is chaired by an Outside Director (Tokihiko Mori), was established as an advisory committee for the purpose of deliberating on the appropriateness of nominations concerning the content of proposals related to the appointment and removal of Directors and Corporate Auditors to be resolved at the General Shareholders Meeting.

Amount of remuneration for officers in FY2021

Position	Number of officers	Total amount of remuneration in millions of yen	Breakdown	Upper limit of the amount
Directors (Outside Directors)	7 ^{(4)*}	159 ⁽¹⁴⁾	Base remuneration: ¥97 million Stock-based remuneration: ¥25 million Bonus: ¥36 million (Only base remuneration was paid to Outside Directors)	Up to ¥240 million per year
Corporate Auditor (Outside Corporate Auditors)	4 ⁽²⁾	46 ⁽¹⁰⁾	Base remuneration only	Up to ¥96 million per year
Total	11 ⁽⁶⁾	206		

*This includes one Outside Director who stepped down in March 2021.

- Notes 1. The upper limit of the amount of remuneration for Directors, which is 240 million yen per year (excluding the amount of employee salaries), was approved at the 40th Annual General Shareholders Meeting held on March 30, 2006.
2. The upper limit of the amount of remuneration for Corporate Auditors, which is 4 million yen per month, was approved at an extraordinary General Shareholders Meeting held on December 11, 1997.
3. At the 42nd Annual General Shareholders Meeting held on March 27, 2008, the abolition of officers' resignation bonuses was approved. It was also decided that the amount to be paid as of the time of the abolition should be paid, and that the payment should be made at the time each Director or Corporate Auditor resigns.
4. The upper limit of monetary compensation claims to be paid to Directors (excluding Outside Directors) for the granting of restricted stock was approved at the 53rd Annual General Shareholders Meeting held on March 27, 2019, as an annual amount not exceeding 50 million yen (excluding the amount of employee salaries).

Governance

Officers (as of March 29, 2022)

Directors

Chairman
of the
Board of
Directors

Akihiko Sako

Date of birth: June 15, 1960

Mr. Sako joined the Company in 1983. Starting in 1989, he worked on the establishment of the subsidiary in the United States and promoted local system development projects, etc. After returning to Japan, he served as General Manager of the 1st Section of Financial System Department, Senior Vice President of Corporate Division, etc. In January 2011, he assumed the post of President and CEO of the Company, and has been Chairman of the Board of Directors since January 2021.



President
& CEO

Ryota Nishimori

Date of birth: December 18, 1967

Mr. Nishimori joined the Company in 1994. He was mainly engaged in system development projects for financial institutions both in Japan and overseas. After holding various posts including General Manager of the Corporate Planning Department, and Executive Officer and Deputy Head of Financial Business Unit at the Company, he held a president-level post at an overseas subsidiary and management-level posts at domestic and overseas subsidiaries. He was appointed President and CEO of CAC Corporation in 2018. He served as a Company Director in March 2020 and as President & CEO of the Company from January 2021.

Major concurrent positions President and CEO of CAC Corporation



Senior
Managing
Director

Togo Shimizu

Date of birth: September 28, 1956

Mr. Shimizu joined the Industrial Bank of Japan, Limited (current Mizuho Bank, Ltd.) in 1982. He held several positions in Mizuho Corporate Bank, Ltd. (current Mizuho Bank, Ltd.), including General Manager of Career Development Division and Managing Executive Officer and deputy officer in charge of IT & Systems Group. In 2013, he served as Deputy President and Representative Director of Mizuho Information & Research Institute, Inc. (current Mizuho Research & Technologies, Ltd.) Since March 2019, he has held the post of Senior Managing Director of the Company. Since January 2022, he has been serving concurrently as the Company's Senior Managing Director and Executive Officer in charge of Strategic Investment Department, Chairman of Strategic Investment Committee, and Head -- India.



Outside
Director

Tokihiko Mori

Date of birth: July 17, 1952

Mr. Mori held several positions, including Director of GE Japan Corporation, Representative Director of Teradyne K.K., Representative Director of Riverside Partners Co., Ltd., a private equity firm, and Outside Director (current post) of Nihon M&A Center Holdings Inc. He has been serving as an Outside Director of the Company since March 2018.

Major concurrent positions Representative Director, Change Management Consulting Co., Ltd./Outside Director, Nihon M&A Center Holdings Inc.



Outside
Director

Mika Matsuo

Date of birth: May 29, 1961

After serving as an executive and Chief of Staff at Tokyo Star Bank, Ltd., she served as a Director and Executive Officer and Chief Human Resource Officer at AIG Japan Holdings K.K., and then as an Advisor (current post) at Asahi Group Holdings, Ltd. She has been serving as a Director of the Company since March 2021.

Major concurrent positions Advisor at Asahi Group Holdings, Ltd.



Outside
Director

Yuki Otsuki

Date of birth: February 9, 1986

Dr. Otsuki served as resident industrial physician at Toshiba Corporation and currently serves as resident industrial physician at Tokyo Business Service Co., Ltd. She was also Assistant Professor in the Department of Dermatology at Tokyo Medical and Dental University Medical Hospital (current Tokyo Medical and Dental University Hospital) and Chief of Dermatology at Soka Municipal Hospital. She is a dermatologist certified by the Japan Dermatological Association. She has been serving as a Director of the Company since March 2021.

Major concurrent positions Resident industrial physician at Tokyo Business Service Co., Ltd.



Governance

Corporate Auditor

Corporate Auditor

Masaaki Yoshida

Date of birth: May 10, 1959

Mr. Yoshida joined Nippon Kangyo Kakumaru Securities Co., Ltd. (current Mizuho Securities Co., Ltd.) in 1990. After working as a security analyst, etc., he joined the Company in 2005. He has held several positions in the Company, including Vice President of Corporate Division and General Manager of Corporate Planning Department and General Manager of Corporate Division. He has been a Corporate Auditor of the Company since March 2017.



Corporate Auditor

Kazuki Kawamata

Date of birth: September 17, 1962

Mr. Kawamata joined the Company in 1986 and has engaged in several system development projects, etc. for banks in and outside Japan. He held several positions, including General Manager of Financial System Business Unit, General Manager of Sales Division and Director and Managing Executive Officer of CAC Corporation. He has been serving as Corporate Auditor of the Company since March 2019.



Outside Corporate Auditor

Hirokazu Honda

Date of birth: May 5, 1970

Mr. Honda was registered as a lawyer and joined the Abe, Ikubo & Katayama Law Office in 1997. In 2004, he was registered as a lawyer in the State of New York, the United States. He became Partner of the Abe, Ikubo & Katayama Law Office (current position). He held positions of Outside Corporate Auditor and Outside Director of Uoriki Co., Ltd. He has been serving as Outside Corporate Auditor of the Company since March 2017.

Major concurrent positions Partner of the Abe, Ikubo & Katayama Law Office



Outside Corporate Auditor

Yuichi Ishino

Date of birth: March 13, 1968

Mr. Ishino has worked for the Mitsubishi Bank, Ltd. (current MUFG Bank, Ltd.), Booz Allen Hamilton Inc. (current PwC Consulting LLC) and other companies before he assumed the post of Representative Director (current position) of Ontrack Corporation, a management consulting firm. He has been an Outside Corporate Auditor of the Company since March 2019.

Major concurrent positions Representative Director, Ontrack Corporation



Skill set

Name	Status of attendance at Board of Directors' Meetings (Fiscal year ended December 31, 2021)	Status of Attendance at Board of Corporate Auditors Meetings (Fiscal year ended December 31, 2021)	Number of years of service	Experience							
				Business management	Finance	Legal affairs/risks/governance	IT/technological trends/products	Global experience	Personnel affairs/human resource development/health and productivity management	Society/environmental sustainability	Business development/sales/marketing
Akihiko Sako	Attended 17 out of 17 meetings	-	17	●				●	●	●	●
Ryota Nishimori	Attended 17 out of 17 meetings	-	2	●			●	●	●	●	●
Togo Shimizu	Attended 17 out of 17 meetings	-	3		●			●	●		●
Tokihiko Mori	Attended 16 out of 17 meetings	-	4	●		●		●		●	●
Mika Matsuo	Attended 13 out of 13 meetings	-	1					●	●	●	
Yuki Otsuki	Attended 13 out of 13 meetings	-	1						●	●	
Masaaki Yoshida	Attended 17 out of 17 meetings	Attended 19 out of 19 meetings	5		●	●					
Kazuki Kawamata	Attended 17 out of 17 meetings	Attended 19 out of 19 meetings	3				●				●
Hirokazu Honda	Attended 17 out of 17 meetings	Attended 18 out of 19 meetings	5			●		●			
Yuichi Ishino	Attended 17 out of 17 meetings	Attended 19 out of 19 meetings	3	●	●			●			●

*The above list does not show all of the knowledge and experience of each Director and Corporate Auditor.

Executive Officer

Managing Executive Officer

Bin Cheng

In charge of China

Executive Officer

Koji Iketani

In charge of Indonesia and the General Manager of Strategic Investment Department

Executive Officer

Yoshikazu Toriumi

In charge of Core ICT

Executive Officer

Eisuke Nakanishi

In charge of New Business Promotion and the General Manager of New Business Promotion Headquarters



Compliance/Risk management

At the CAC Group, we believe that the strong awareness of our corporate social and public responsibilities and the actions we take to strengthen social understanding and trust leads to our sustainable development.

To increase our sense of morality and our sincerity as a corporate entity, we have established our policies and systems on compliance and risk management and are striving to maintain these policies and systems.

Compliance

At the CAC Group, we define compliance as “increasing our sense of morality and our sincerity as a corporate entity by complying strictly with laws, regulations, rules and social norms.” Based on Five Values, we have formulated the Basic Guidelines for Business Conduct for Compliance of the overall Group. We have made it our basic compliance policy to establish a system for promoting compliance and to take actions to promote compliance.

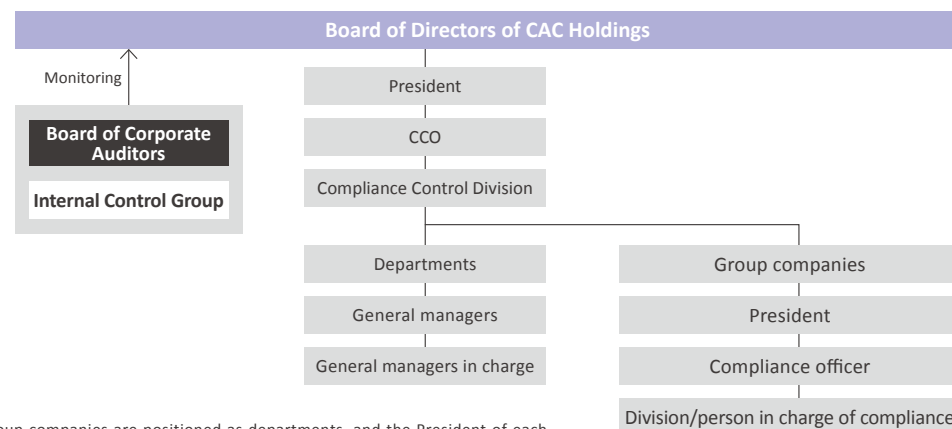
In our system for promoting compliance, we have established a Compliance Control Division, which is a division in charge of legal compliance, under the Chief Compliance Officer (CCO), who is appointed by the Board of Directors. The CCO supervises the Compliance Control Division, which engages in activities related to compliance, including planning, training, supervision and improvements. We have also introduced the Compliance Helpline System (a whistleblowing system), which permits employees of the CAC Group to respond appropriately to compliance violations or potential compliance violations that

they discover. We operate this system both within and outside the Group.

As our basic policy for eliminating anti-social forces, we at the CAC Group will not be involved at all with any forces or groups that threaten social

order and safety, will firmly reject demands from such forces or groups, and will not undertake any trade with any companies, groups or individuals related to such forces or groups.

CAC Group's system for promoting compliance



*Group companies are positioned as departments, and the President of each fulfills roles and responsibilities of a General Manager.

Risk Management

In business activities, a company faces not only risks generated in its external business environment but also internal risks that exist within the company. The CAC Group needs to handle these risks appropriately to maintain and keep improving its corporate value.

At the CAC Group, we have established the Risk Management Principles as basic rules on risk management, thus having clarified action guidelines to follow when managing risks, contents of risks that must be managed appropriately, and system to promote the management of these risks, among others. As the system for promoting the appropriate identification, assessment and handling of risks, we have established the Risk Management Division under the Chief Risk Officer (CRO).

Governance

Initiatives for dealing with material risks (as of December 31, 2021)

Major risks that may have a significant impact on the Group's management and operating results are as follows.

Recognizing the possibility that such risks may materialize, the Group endeavors to prevent them from occurring and appropriately deals with them in the event that they do materialize.

	Risks	Impact on the Group	Countermeasures
Business environment	Increasingly tough competitive environment	Failure to acquire projects will lead to a loss from fewer working hours for personnel and a deterioration in profits from projects.	<ul style="list-style-type: none"> ● Collection of information and monitoring regarding customers, market trends, competitors, etc. ● Reinforcement of sales capabilities
	Dependence on specific customers and industrial sectors	Changes in IT investment and management environment of the specific customers and industrial sectors that make up the majority of the Group's sales will make the Group's business results highly volatile.	<ul style="list-style-type: none"> ● Constant understanding of customer trends ● Development of new customers
	Development of overseas business	Politics and the economy, foreign exchange movements, legal restrictions, commercial practice, social turmoil, etc. in each country exert an adverse influence over the Group's overseas business activities.	<ul style="list-style-type: none"> ● Collection of information on politics, the economy, social situation, etc. of each country ● Maintenance of systems that ensure smooth contact with overseas bases
	Corporate acquisition/Capital contribution	In the event that capital invested in acquired/portfolio companies is not recoverable or that additional costs are incurred, it will have an adverse impact on the Group's operating results, business development, etc.	<ul style="list-style-type: none"> ● Ensuring of preliminary examinations and reviews ● Formation of standards for business acquisition and capital contribution and those for withdrawal ● Strengthening of post-merger integration (PMI) process
	COVID-19	The slowdown of economic activity due to the state of emergency declarations and lockdowns has an impact on finances, management results and other aspects.	<ul style="list-style-type: none"> ● Thoroughly preventing infections ● Business continuity by having employees work from home and holding meetings online
Business operation	Value of assets held	A decline in the value of investment securities and other assets held will have an adverse impact on the Group's operating results and financial situation.	<ul style="list-style-type: none"> ● Monitoring of asset value ● Prompt decision making on whether to continue holding the assets based on a policy on holding assets
	Securing and fostering of human resources	Failure to secure and foster excellent human resources as planned will have an adverse impact on the Group's business promotion.	<ul style="list-style-type: none"> ● Appropriate and effective hiring activities and human resources development ● Improvement in corporate brands and creation of an attractive workplace
Technology	Information security	Loss, destruction, leakage, etc. of confidential information will lead to a decline in, or loss of, social confidence and/or liability for damages.	<ul style="list-style-type: none"> ● Development of a policy, administrative procedures, etc. for information management ● Training of all employees on information management ● Security measures
	Unprofitable projects	Excess time spent on development and work will raise the cost of sales ratio.	<ul style="list-style-type: none"> ● Detailed examination of each project prior to receiving an order ● Monitoring of each project by specialized departments
	Suspension of service	System failure, natural disaster, etc. that disables the provision of systems operation and management services or human resources BPO services will have an adverse impact on the Group's operating results.	<ul style="list-style-type: none"> ● Formation of a business continuity plan (BCP) and training and education

Financial data

	46th term Y2011	47th term Y2012	48th term Y2013	49th term Y2014	50th term Y2015	51th term Y2016	52th term Y2017	53th term Y2018	54th term Y2019	55th term Y2020	56th term Y2021
Net sales (million yen)	38,882	39,545	40,963	50,031	52,105	52,521	53,268	49,906	50,683	48,539	47,935
Operating income (million yen)	2,610	2,694	2,528	3,191	1,209	1,202	698	1,426	1,314	1,948	3,697
Ordinary income (million yen)	2,776	2,887	2,664	3,000	1,080	937	717	1,368	1,257	1,909	3,668
Profit attributable to owners of parent (million yen)	39	1,194	1,514	2,343	△ 142	2,039	1,100	1,319	1,500	1,669	2,476
Net assets (million yen)	19,294	20,200	22,833	30,310	29,293	27,683	32,429	28,857	25,797	26,236	31,398
Total assets (million yen)	31,363	32,233	37,020	53,387	51,783	50,344	54,125	46,968	45,626	44,565	47,261
Cash flow from operating activities (million yen)	△ 1,509	3,077	2,100	2,331	△ 770	892	△ 1,014	3,276	104	1,110	2,902
Cash flow from investing activities (million yen)	1,076	1,419	△ 2,312	432	△ 2,760	3,233	307	2,362	3,523	1,338	532
Cash flow from financing activities (million yen)	△ 407	△ 1,248	989	△ 1,388	△ 796	△ 1,920	△ 2,196	△ 2,310	△ 6,324	△ 1,704	△ 2,930
Book value per share <BPS> (yen)	940.20	993.35	1,124.81	1,455.06	1,439.40	1,447.09	1,720.38	1,527.13	1,512.07	1,505.09	1,822.34
Earnings per share <EPS> (yen)	1.98	59.99	76.07	117.69	△ 7.21	105.54	59.69	71.57	84.83	100.55	146.75
Return on equity <ROE> (%)	0.2	6.2	7.2	9.1	△ 0.5	7.4	3.8	4.4	5.6	6.6	8.8
Return on assets <ROA> (%)	8.8	9.1	7.7	6.6	2.1	1.8	1.4	2.7	2.7	4.2	8.0
Equity ratio (%)	60.3	61.4	60.5	54.3	54.6	53.0	58.6	59.9	54.7	57.0	65.1
Price-to-earnings ratio <PER>(times) * Based on the closing share price at the end of each fiscal year	317.90	11.35	12.07	9.97	—	8.38	17.77	13.02	18.50	14.16	9.89
Amount of dividend per share (yen)	32.00	32.00	32.00	32.00	32.00	40.00	36.00	38.00	50.00	60.00	60.00
Dividend payout ratio (%)	1,614.7	53.3	42.1	27.2	—	37.9	60.3	53.1	58.9	59.7	40.9

Non-financial data

		46th term Y2011	47th term Y2012	48th term Y2013	49th term Y2014	50th term Y2015	51th term Y2016	52th term Y2017	53th term Y2018	54th term Y2019	55th term Y2020	56th term Y2021
Number of employees	Overall	2,057	2,166	2,239	4,833	5,202	5,711	5,364	4,821	5,077	4,960	4,249
	Male	—	—	—	—	—	4,493	4,147	3,680	3,841	3,717	3,301
	Female	—	—	—	—	—	1,218	1,217	1,141	1,236	1,243	948
	(ratio of women)	—	—	—	—	—	21.3%	22.7%	23.7%	24.3%	25.1%	28.6%
	Japanese nationality	—	—	—	—	—	2,015	2,023	1,969	1,959	1,934	1,477
	Foreign nationality	—	—	—	—	—	3,696	3,341	2,852	3,118	3,026	2,772
	(ratio of foreign nationality)	—	—	—	—	—	64.7%	62.3%	59.2%	61.4%	61.1%	65.2%
Number of Managers	Overall	—	—	—	—	—	282	272	276	311	295	250
	Male	—	—	—	—	—	245	235	238	262	245	214
	Female	—	—	—	—	—	37	37	38	49	50	36
	(ratio of women)	—	—	—	—	—	13.1%	13.6%	13.8%	15.8%	16.9%	14.4%

General Information (as of December 31, 2021)

Number of Shares Authorized	86,284,000
Number of Shares Issued and Outstanding	20,541,400
Unit Share	100
Number of shareholders	5,541
Fiscal Year End	December 31
Annual General Shareholders Meeting	End of March
Record Date	Year-end Dividend: December 31 Interim Dividend: June 30
Administrator of the Register of Shareholders	4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo Mitsubishi UFJ Trust and Banking Corporation
Stock Exchange Listing	Tokyo Stock Exchange, 1st Section* (Date of Listing: October 2000) (Securities Code: 4725)

* We transitioned from the TSE's 1st Section to the Prime Market on April 4, 2022, following the Tokyo Stock Exchange's revision of their market segments.

Breakdown of Shareholding by Investor Type (as of December 31, 2021)

Investor Type	Number of shareholders	Number of Shares Held (Thousands)	Percentage of Total Issued Shares
Japanese Financial Institutions	17	3,263	15.89%
Japanese Securities Companies	24	245	1.19%
Other Japanese Companies	46	6,639	32.34%
Foreign Companies, etc.	90	1,684	8.20%
Japanese Individuals and Others	4,654	8,696	42.36%
Total	4,831	20,529	100.00%

* Of 3,656,849 treasury shares as of December 31, 2021, 36,568 units are included in the "Japanese Individuals and Others" column, while 49 shares are included in the "Number of Shares Less than One Unit" column.

* Figures for "Other Japanese Companies" include 12 units of shares held under the name of Japan Securities Depository Center, Inc.

Primary Shareholders (as of December 31, 2021)

Name of Shareholders	Number of Shares Held (Thousands)	Percentage of Total Issued Shares
SHOGAKUKAN Inc.	3,102	18.37%
The Master Trust Bank of Japan, Ltd. (Trust account)	1,552	9.19%
SHIFT Inc.	1,027	6.08%
Custody Bank of Japan, Ltd. (Trust account)	677	4.01%
CAC Employee Shareholding Association	571	3.38%
Sumitomo Mitsui Banking Corporation	484	2.86%
Mitsubishi Tanabe Pharma Corporation	431	2.55%
KLab Inc.	300	1.77%
Maruha Nichiro Corporation	300	1.77%
Yuasa Trading Co., Ltd.	300	1.77%

* Treasury stock (3,656 thousand shares as of December 31, 2021) are not included in the above.

* All of the shares held by the above trust bank are related to the trust business.

Corporate profile

Name	CAC Holdings Corporation
Head office	24-1, Nihonbashi-Hakozaki-cho, Chuo-ku, Tokyo 103-0015, Japan Phone: +81-3-6667-8001
Representative	Ryota Nishimori, President and CEO
Founded	August 8, 1966
Common stock	¥3,702 million
Consolidated sales	¥47,935 million (for the fiscal year ended December 31, 2021)
Number of group employees (as of December 31, 2021)	4,249
Main services offered	Formulation of the CAC Group's business strategy and business administration of the Group
Main financing banks	Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd., Mizuho Bank, Ltd., Mitsubishi UFJ Trust and Banking Corporation, and Sumitomo Mitsui Trust Bank, Limited

Editorial policy

The CAC Group began publishing the CAC REPORT in FY2015. The aim of this report is to ensure the value-creation initiatives of the CAC Group are understood by a wide range of stakeholders, primarily by investors who view matters from a long-term perspective.

Scope of reporting

- Reporting period: January 1, 2021 to December 31, 2021 (activities in January 2022 and thereafter are also included in some sections.)
- Subject organizations: CAC Holdings Corporation and 19 CAC Group companies (as of December 31, 2021)

Caution concerning forward-looking statements

This report contains descriptions of plans and strategies for the future and forecasts and prospects of business results of CAC Holdings Corporation and CAC Group companies. These descriptions are based on judgements that were made based on currently available information. Please note that our actual business results may differ materially from these initial forecasts due to various external factors.

Major Affiliates

CAC Corporation

Location	Chuo-ku, Tokyo, Japan
Main services	System development services System operation services BPO/BTO services

ARK Systems Co., Ltd.

Location	Chuo-ku, Tokyo, Japan
Main services	Mainframe solutions Open system solutions Web-based system solutions IT management solutions

CAC ORBIS CORPORATION

Location	Nishi-ku, Osaka-shi, Osaka, Japan
Main services	System consulting services Software planning and development Specialized equipment (development of different kinds of hardware and software for factories) Systems maintenance and operation

CAC MARUHA NICHIRO SYSTEMS CORPORATION

Location	Chuo-ku, Tokyo, Japan
Main services	System planning and design Software development System operation, maintenance and other services

Hitec Systems Corporation

Location	Shimonoseki-shi, Yamaguchi, Japan
Main services	Systems development, maintenance and operation Packaged software development and sales

CAC AMERICA CORPORATION [CAC AMERICA]

Location	New York, United States
Main services	System consulting services System integration Helpdesk services

CAC EUROPE LIMITED [CAC EUROPE]

Location	London, United Kingdom
Main services	System consulting services System integration

CAC SHANGHAI CORPORATION [CAC Shanghai]

Location	Shanghai, China
Main services	System consulting services System integration Offshore system development center (for Japan and for the United States) System operation (helpdesk services and area services)

GoldenTech Computer Technology (Suzhou) Co., Ltd.

Location	Suzhou, China
Main services	System development Contracted software development

Inspirisys Solutions Limited

Location	Chennai, India
Main services	IT infrastructure services Software services Warranty management services

Mitrais Pte. Ltd.

Location	Singapore
Main services	Sales and maintenance of software products Contracted software development services



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